FINANCIAL TIMES

The 35-hour week
Inner workings come under scrutiny
Page 2

The UN's travails
No peace for Kofi Annan
Page 15

Spanish boom
Bullish outlook for Emu entry
Page 14

FT WEEKEND
Israel in no mood to party
TOMORROW

World Business Newspaper http://www.FT.com FRIDAY OCTOBER 17 1997

THE GLOBAL COMPANY

Peter Brabeck Chief executive of Nestlé
'Successful brands are not only big; they are strong and their strength comes from daily contact with consumers'
Part six: Page 12

WORLD NEWS

EU poised to adopt $11bn plan to improve drinking water

European Union governments were close to adopting proposals that would lead to significant improvements in the quality of drinking water and cost more than Ecu10bn ($11bn) over 15 years. Most of the money would be spent on replacing lead pipes in distribution systems. Page 2

Prodi plea on work week
Italian prime minister Romano Prodi called on employers and unions not to trigger a crisis over his government's proposals for a 35-hour working week. Page 2

Mahathir eases forex fury
Malaysian prime minister Mahathir Mohamad toned down his condemnation of currency speculators but called for global trading regulations to accompany liberalisation of capital markets. Page 16

Delay over tobacco advert ban
The UK government has postponed until the new year its planned white paper and draft bill banning tobacco advertising and sponsorship – in the hope a wider ban will be agreed when European health ministers meet on December 4. Page 10

Kremlin spurns Left's demand
The Kremlin rejected demands of the leftist-dominated legislature to expel reformers Anatoly Chubais and Boris Nemtsov from the cabinet, in a further sign that the government emerged the winner in a political showdown. Page 2

Orthodox threat to Netanyahu
Israel's ultra-orthodox Shas party said it would pull out of Benjamin Netanyahu's Likud government if he accepted reforms recognising the religious rights of the Jewish Reform and Conservative Progressive movements. Page 6

Turks accused *over* air scare
Greek defence minister Akis Tsochatzopoulos said Turkish fighter jets buzzed his military transport craft as he returned from a military exercise in Cyprus. Page 2

Argentina to get US ally status
Visiting US president Bill Clinton praised Argentina's contributions to United Nations peacekeeping efforts and announced plans to give the country "major non-Nato ally" status. Page 5

US investors still bullish
Conditions on the US equity markets since August have failed to dent private investors' confidence, according to a survey by Gallup and Paine Webber. It found optimism at the end of last month considerably more bullish than in July. Page 4

Extradition appeal lost
Fugitive financier Werner Rey lost his second appeal against extradition from the Bahamas to Switzerland, where he is charged with defrauding investors of more than $1bn and leaving $2.8bn in debts.

Villeneuve loses lead
Canadian Jacques Villeneuve slipped one point behind Michael Schumacher of Germany in the Formula One drivers' world championship after his Williams team withdrew an appeal over a one-race ban. He loses two points gained in Japan's grand prix.

BUSINESS NEWS

Zurich sets out terms of £23bn deal with BAT Industries

Zurich, Swiss-based financial services group, has revealed the terms of its £23bn ($37bn) merger with the insurance and asset management arms of BAT Industries. The deal will create Europe's second-biggest insurance company, but may take a year to clear regulatory hurdles and to obtain clearances from the tax authorities. Page 17; Lex, Page 16; Complex construction, Page 23

Siemens, German industrial group, is buying 10 per cent of Breed Technologies of the US as part of a joint venture for passenger safety systems. Page 22

European Union told the World Trade Organisation it will change its banana import licensing regime after WTO ruled against the present system. Page 5

Microsoft's commercial practices in Europe are being investigated by the European Commission. The probe focuses on possible abuse by Microsoft of its dominant position in Europe, and alleged anti-competitive agreements squeezing competitors out of the market. Page 16

Generali, Italian insurance group which has launched a FFr55bn ($9.3bn) hostile bid for French insurance group AGF, spoke out publicly in an attempt to justify its offer. Page 17

US State Department is investigating whether a bond offering by Russia's Gazprom may be subject to sanctions under the Iran-Libya Sanctions Act. Goldman Sachs, which is handling the $1bn offering, plans to go ahead in November.

The UK's third-largest unit trust, the £2.6bn ($4.2bn) Institutional Managed Balanced fund, may move offshore after tax changes in the last Budget. Its manager Schroder is reviewing options for correcting income reduction after the reforms. Page 10

Bre-X Minerals shareholders have been given the go-ahead to sue J.P.Morgan, the US investment bank, and other advisers to the Canadian company whose Busang gold deposit in Indonesia was exposed as a fraud. Page 18

Royal Dutch/Shell, largest international oil company, is spending more than $500m in the next five years to expand its presence in solar energy and sustainable forestry projects. Page 17

British Airways and Finnair announced plans to challenge the dominance of Scandinavian Airlines System in the Nordic market with a local marketing and network alliance. Page 18

Porsche, German sports car maker, is to take direct control of the import and sale of its vehicles in Japan. Page 5

Banco Popular, Spanish bank, reported a 6.6 per cent rise in net attributable income to Pta48.8bn ($322m) in the first nine months of the year. Page 18

Poland's outgoing government has given Hyundai, the Korean industrial conglomerate, permission to start tariff-free car assembly. Page 5

GTE chairman keen to work with UK group after $28bn offer for MCI

Telecoms chief sees global partnership

GTE chairman Charles Lee: keen to talk to BT about developing a three-way global telecoms partnership Picture: AP

By William Lewis in New York and Alan Cane in London

Charles Lee, chairman of GTE, the US telecommunications company which on Wednesday announced a $28bn cash offer for MCI, confirmed yesterday that British Telecommunications was a key part of his strategy.

He said: "We look forward to discussing with BT how we can develop a true global partnership with the three companies working together. We are excited by Concert Communications and share BT's concept of a global communications company."

GTE is now bidding for MCI, the second-largest US long-distance operator, against both BT and WorldCom, another US operator which earlier this month announced a hostile $30bn all-paper bid.

It emerged yesterday that MCI, WorldCom and GTE now believe that the British company, which holds a 20 per cent stake in MCI, is in a powerful position to affect the outcome of the deal despite the likelihood that its bid, which falls far short of WorldCom's and GTE's, will fail.

"They are potential king makers," one investment banker involved in the bid said yesterday.

"BT did its best during the MCI renegotiation to lose all credibility but somehow has stumbled into a position at the head of the table," another banker said, in reference to the way BT cut back on the price it was prepared to pay for MCI following concerns about the company's earnings.

It is thought that BT has contractual rights which would enable it to delay or upset any hostile takeover of MCI.

Meanwhile, it is expected that BT and MCI will soon release each other from contractual obligations preventing them from talking with other companies. The waiver will enable MCI to enter talks with GTE and WorldCom to learn more about their respective bids, while BT will be able to discuss a three-way alliance with GTE.

GTE has yet to provide details of how it proposes to raise the finance for what is the largest cash offer in history, and yesterday the credit agency Standard & Poors placed its debt ratings on CreditWatch with negative implications.

"While GTE has indicated a willingness to consider acquiring MCI for a combination of cash and stock, it appears likely that a significant portion of any merger consideration would be paid in cash, necessitating a substantial increase in debt levels for the combined company," S&P said.

GTE added to investors' concerns about its financing plans by stating in a filing to the UK Securities Exchange Commission that it expects there will be a "a significant decline in GTE's credit ratios in the near term".

On Wednesday, GTE said it would consider making its offer a combination of cash and paper if MCI wished.

The battle has generated widespread speculation about other possible links between telecommunications companies in the US and Europe.

In morning trading on Wall Street, GTE's shares fell 6.38 per cent to 44\frac{11}{16}$, MCI's shares traded up 4.41 per cent to $38½, WorldCom moved up $\frac{1}{16}$ to $35¼, and Sprint fell 2.23 per cent to 54\frac{13}{16}$.

WorldCom, which last night said that it would fight on with its bid, refused to comment on speculation that the company is planning to increase the value of its $30bn bid.

BATTLE FOR MCI Page 20

- MCI shareholders' daunting task
- Bid will add to GTE debt
- Eyes turn to Sprint and AT&T

Ikea plans 20 factories in eastern Europe

$158m investment would create up to 6,000 jobs

By Tim Burt in Stockholm

Ikea, one of the world's largest furniture retailers, plans almost to double its manufacturing capacity by building up to 20 factories in eastern Europe over the next five years.

The privately owned group, founded in Sweden but headquartered in Denmark, said yesterday it was considering investing about SKr1.2bn ($158m) in manufacturing plants in the Baltic states, Romania and Bulgaria.

Stig Holmqvist, head of procurement and industrial operations, predicted that the investment could create up to 6,000 jobs and would help meet capacity demands as Ikea builds between six and 12 new stores a year.

"We are now planning the next stage of our manufacturing development, and that must secure sourcing of products for the next five years and beyond," he said.

Ikea has been manufacturing its own products since 1991 when the group acquired Swedwood, the furniture-making subsidiary of Hexagon, the Swedish industrial group, for an undisclosed sum.

Since the acquisition, turnover from Swedwood's 27 factories has increased from SKr200m a year to SKr1.6bn. Mr Holmqvist predicted that figure could double by the turn of the century.

Although Ikea – which for accounting and tax purposes is domiciled in the Netherlands – does not report profits, combined turnover from its 139 outlets in 28 countries rose from Fl 9.62bn ($4.9bn) to Fl 11.84bn in the 12 months to August 31.

Industry analysts estimate that Ikea had margins last year of 9 per cent, putting its operating profits at Fl 1.03bn.

Those profits are expected to increase in the current financial year following maiden contributions from new stores in Germany, the Netherlands and, for the first time, China.

Anders Moberg, president of Ikea International, said the group was pressing ahead with plans to open stores in Chicago and San Francisco, while also finalising proposals for its first outlet in Russia.

In an interview with the Financial Times, Mr Moberg added that the group had embarked on site studies around Moscow and St Petersburg, which would also include the construction of a commercial zone where Ikea would invite other retailers to open outlets.

"We have taken a decision to open one store initially in Russia, and right now it looks like Moscow is ahead of St Petersburg," he said.

The opening of Ikea's first wholly owned store in Russia follows a rapid expansion in the former Soviet bloc during the 1990s, which has seen the group build out-of-town outlets in Poland, Hungary, Slovakia and the Czech Republic.

Mr Moberg emphasised that the investment in new stores would be linked to the refurbishment of existing sites, including a $25m investment in a dedicated Children's Ikea format.

Opel to cut 1,900 jobs from Antwerp operation

By Haig Simonian in London and Neil Buckley in Brussels

Adam Opel, the German subsidiary of General Motors, the world's biggest car company, is to cut 1,900 jobs from its Antwerp operation in another blow to Belgium's standing as a manufacturing centre.

The company said it would remove one shift from the factory, which builds Vectra and Astra cars, and concentrate production on the Astra.

Opel blamed the decision on the cutthroat European car market and the need to keep output in line with demand.

On Wednesday, GM, which has been one of the most profitable carmakers in Europe, announced a $21m loss in Europe in the third quarter compared with net profits of $75m last year.

Opel's decision follows the closure in July of Renault's Vilvoorde assembly plant north of Brussels.

The closure, which caused 3,100 redundancies, was condemned by the Belgian government and European Commission, and provoked protests by up to 50,000 demonstrators in Brussels.

Although Opel said it hoped to achieve the reduction without compulsory redundancies, the loss of 1,900 jobs will further

Continued on Page 16

Markets

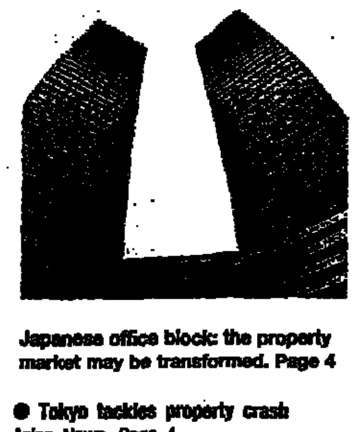
STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	8,037.11	(-28.57)
NASDAQ Composite	1,717.76	(-5.61)
Europe and Far East		
CAC40	2,992.87	(+0.71)
DAX	4,116.22	(-75.47)
FTSE 100	5,287.9	(+24.2)
Nikkei	17,707.48	(+376.12)
US LUNCHTIME RATES		
Federal Funds	5¾%	
3-mth Treas Bills: Yld	5.04%	
Long Bond	100$\frac{5}{8}$	
Yield	6.344%	
OTHER RATES		
UK: 3-mo Interbank	7$\frac{5}{8}$%	(7¼%)
UK: 10 yr Gilt	105.625	(105.812)
France: 10 yr OAT	98.6	(99.01)
Germany: 10 yr Bund	102.36	(102.82)
Japan: 10 yr JGB	108.36	(108.59)
NORTH SEA OIL (Argus)		
Brent Dated	$19.52	(19.33)

GOLD		
New York Comex		
(Oct)	$324.9	(325.1)
London		
	$326.75	(326.85)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6185	
DM	1.74785	
FFr	5.8565	
SFr	1.45575	
Y	120.115	
London		
£	1.6204	(1.6233)
DM	1.7443	(1.7511)
FFr	5.8509	(5.8705)
SFr	1.4547	(1.4603)
Y	119.87	(121.405)
Tokyo close		Y 120.95
Sterling		
DM	2.8265	(2.8424)

Bahrain	Din1.300	Belgium	BFr65	Cyprus	C£1.35
Denmark	DKr21.00	Estonia	EKr30.00	Finland	Fmk13.00
France	FFr12.50	Gibraltar	£1.75	Greece	Dr450
Hungary	Ft340	Iceland	IKr225	Jordan	JD1.75
Kuwait	Fils750	Latvia	Ls 1.95	Lithuania	Lit21.00
Luxembourg	LFr65	Morocco	Dh30.00	Netherlands	Fl5.00
Nigeria	N120.00	Norway	NKr23.00	Oman	OR1.75
Poland	Zl 7.50	[illegible]	[illegible]	Qatar	QR13.00

Inside

COMMENT & ANALYSIS



Japanese office block: the property market may be transformed. Page 4

TECHNOLOGY

EMERGING MARKETS

FINANCE

Greek defence minister's aircraft 'buzzed' by Turkish jets for second time over Aegean

Greece denounces Turkey's 'cold war'

By Kerin Hope in Athens

Greece's defence minister said yesterday that Turkish jetfighters had buzzed his military transport aircraft as he returned from Cyprus. He had been observing an exercise staged by Greek and Greek Cypriot forces under a controversial joint defence pact.

Akis Tsochatzopoulos, who said on Monday that his aircraft was harassed over the Aegean Sea on the outgoing trip, dismissed the incident as "behaviour from the cold war period." His comment was in line with the government's attempt to avoid a further escalation of tension with Turkey over the joint manoeuvres.

Greece claims that Turkish war aircraft have violated its 10-mile airspace zone on almost 200 occasions since Sunday.

Moreover, Greek and Turkish fighters have staged dozens of mock dogfights in the southern Aegean this week during the biggest joint Greek-Greek Cypriot military exercise staged since the early 1990s.

At that time Greece undertook to include Cyprus in its defence reach, a policy known as the "joint defence dogma".

The policy was designed to underpin Greece's political support for the internationally recognised Greek Cypriot government on the divided island.

It is criticised as unworkable in strategic terms because the Greek airforce's ageing F-4s and F-16s are heavily out-numbered by newer Turkish fighters, which can reach Cyprus within a few minutes from bases in southern Turkey. But the pact has assumed more significance following threats by Turkey to attack the south of the island if Greek-Cypriots go ahead with a plan to instal Russian S-300 anti-aircraft missiles next year.

The Turkish government said yesterday it would not implement a ban on military flights over Cyprus proposed by the US, because of the Greek and Cypriot exercise. The announcement came after Richard Holbrooke, US mediator on Cyprus, held talks in Ankara on finding ways to reduce Greek-Turkish tensions.

In Athens, Thomas Miller, US special co-ordinator on Cyprus, warned that "things have a potential to get very serious," following the collapse of the US-brokered Madrid declaration in July in which the two nominal Nato allies agreed to work for good-neighbourly relations.

However, Costas Simitis, the Greek prime minister, is expected to try to revive the Madrid agreement at next month's summit meeting of south-east European leaders on the island of Crete, which Mesut Yilmaz, the Turkish prime minister, has said he will attend. Despite the government's tough position on Cyprus, officials say that improving relations with Turkey remains an important priority.

Plan to improve drinking water

By Michael Smith in Luxembourg

European Union governments were last night close to adopting proposals which will lead to significant improvements in the quality of drinking water and cost more than Ecu10bn ($11bn) to implement over 15 years.

The bulk of the money will be spent on replacing lead pipes in distribution systems. The 15 member states will also have to meet requirements for controlling a range of substances and metals in water including pesticides, copper, nickel and zinc. At a meeting of EU environment ministers, France and Italy were pressing for a 20-year implementation period, but negotiators were confident a deal would be struck.

France faces the biggest bill for implementing the proposals because it has a large number of lead pipes. Italy, the UK, Spain, Belgium and Ireland are the other countries which will have to spend heavily.

The directive requires cuts in the amount of lead in drinking water from 50 to 10 microgrammes per litre. This is in accordance with recommendations from the World Health Organisation and is aimed, according to the Commission, at protecting infants, young children and pregnant women from the neurotoxic effects that contribute to IQ deficits and learning and behavioural problems.

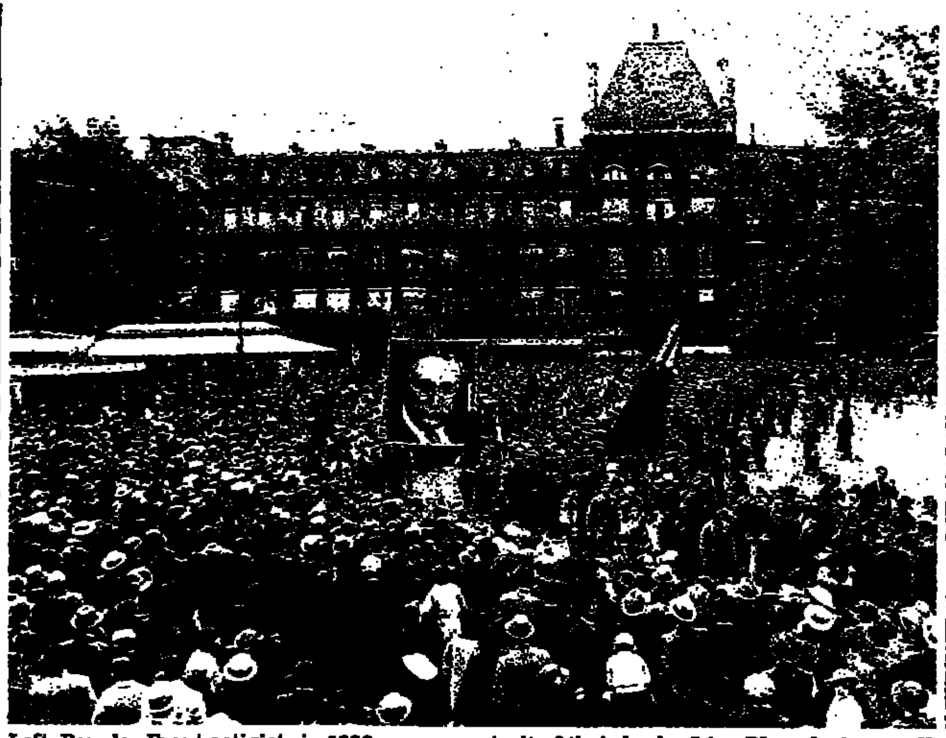
The proposals require member-states to replace "distribution" pipes up to the point where they enter homes.

Achieving the 10 microgrammes target would require households to take out lead piping, an aim rather than a requirement of the directive.

According to Commission estimates two years ago, the cost of changing all lead piping, including that in households, would be Ecu 70bn.

● Separately, environment ministers reaffirmed the EU's commitment to the adoption at the forthcoming Kyoto climate conference of legally binding targets to cut greenhouse gases. Ministers also prepared a negotiating stance for the conference, at which EU governments will come under fire from other countries for agreeing an approach under which some member states will be allowed to increase carbon dioxide emissions, so long as others decrease them in line with a 15 per cent overall reduction by 2010.

Environment ministers have made clear that the EU is prepared to accept joint liability for achieving its target.



Left: Popular Front activists in 1936 carry a portrait of their leader Léon Blum during a rally in Paris celebrating a cut in the working week.
Right: nearly 60 years later workers in Bordeaux protest about unemployment and welfare reform – hours were lower on the agenda *Hulton Getty and Reuters*

'Super-cure' for jobless may be hard to swallow

In France and Italy plans to cut the working week have provoked scorn from employers and little revolutionary fervour from workers

More than 60 years after French workers won the right to a maximum 40-hour week, the question of whether and how to cut working hours is once again confronting governments, employers and trade unions in Europe.

In the space of a week, leftist governments in France and Italy have signalled their intention of introducing a 35-hour week by 2000 and 2001 respectively. Yet their plans are hedged with important qualifications, and anyone hoping to breathe the heady air of social revolution in Paris and Rome seems sure to be disappointed.

To employers who scorn the view that the initiatives are a super-cure for joblessness, and who lament the supposed impact on labour costs and competitiveness, government officials respond that little or nothing in the field of working hours may change in practice.

As for the scattered knots of radicals who have long dreamed of exploiting the 35-hour week as a short cut to overturning the social order, they may well be thinner on the ground in Europe these days than at any time in living memory.

The parallels between 1936 and 1997 are seductive but ultimately misleading. When Léon Blum's Popular Front government cut the French working week and decreed salary increases of up to 15 per cent, it did so against a background of economic depression and left-right political confrontation far more acute than anything happening today.

Moreover, France was in the grip of mass strikes and factory occupations that make recent industrial unrest look like squabbles over a game of pétanque.

This time round, only days after announcing that it would cut the working week to 35 hours, France's Socialist-led government has taken pains to stress that the rules will be pragmatically applied.

A first law to set the objective of 35 hours will be proposed to parliament next spring.

But it is only with a second law to be adopted in late 1999 that the precise terms and exemptions from the rules will be known, leaving huge scope for negotiations in the meantime.

Whether civil servants will be included is open to question, and details of a more lenient regime for management-grade employees are wide open. More generally, it seems that companies may be able to use a calculation of "annualised" working hours, rather than be obliged to ensure that each working week does not exceed 35 hours.

French ministers have already indicated that the exemption threshold, below which the reduced working hours limit will not be applied, has been increased to companies employing 20 people rather than 10.

In Italy, where Romano Prodi, the prime minister, promised a 35-hour week partly as a means of appeasing hardline Communists in parliament, precise details are similarly unclear. Mr Prodi says a conference involving the government, trade unions and employers would have to take place to work out the implications for the economy.

However, the employers' federation, Confindustria, has quickly hoisted the flag of resistance.

> In 1936 France was gripped by strikes and factory occupations that make recent industrial unrest look like squabbles over a game of pétanque

It contends that the shorter week would raise labour costs by 10 to 12 per cent without creating a single new job. Cesare Romiti, president of Fiat, said: "I am sure that it is in the nature of the accord made between the government and the Communists that there is room for a complete abandonment of the idea."

Tellingly, Italian unionists are also not wholly sold on the 35-hour week.

"For me, the promise of a cut to 35 hours by 2001 presents disadvantages for employment, not benefits, especially in the south," said Pietro Larizza, leader of the Uil labour confederation.

At the European Union's executive Commission in Brussels, officials point out that there is a great deal of loose wording in the French and Italian proposals. Commenting on Mr Prodi's initiative, one senior official said: "It's a typical Italian solution. There are lots of loopholes and provisions for local negotiations on the 35-hour working week."

Padraig Flynn, commissioner for social affairs, believes that the proposed measures will do little to create new jobs or foster "employability" – the centrepiece of the European Commission's blueprint on employment that is due to be delivered to a summit next month in Luxembourg.

The 35-hour working week was discussed at a meeting in Paris this week of labour ministers from member-countries of the Organisation of Economic Co-operation and Development (OECD). But the German representative was noticeably silent, according to one participant. As for Martine Aubry, France's labour minister, she was not even there.

Despite the initiatives in France and Italy, there is no question of the European Commission introducing EU-wide legislation on a 35-hour week.

The EU passed legislation for a 48-hour working week some years ago, but even that measure has a number of loopholes, especially for overtime.

Andrew Jack
James Blitz
Lionel Barber

Prodi in plea to unions and employers

By James Blitz in Rome

Romano Prodi, the Italian prime minister, sought yesterday to quell a growing row over his government's proposals to introduce a 35-hour working week, calling on employers and unions not to trigger a crisis over the issue.

"It doesn't make sense for our social partners to take a prejudiced position," Mr Prodi told the parliament.

"We are counting very heavily on our social partners, and we want to work with them. Together we want to work out how we can reform the welfare state, and how we can set about reforming the length of the working week."

Mr Prodi agreed a deal with the Reconstructed Communism (RC) party earlier this week under which the government would introduce legislation next year cutting the working week from 40 hours to 35 by 2001.

The row developed as Mr Prodi won a confidence vote in the lower house of parliament by 319 votes to 285 with two abstentions, formally ending a political crisis that could have jeopardised Italy's hopes of becoming a founder member of Europe's single currency.

The unions, which are normally expected to favour shorter working hours for their members, said yesterday that the idea does not figure as a top priority.

"The first is job security, the second is salaries...cutting the working week is the cherry on the cake," the secretary-general of the Uil union, Pietro Larizza, told *La Stampa* in an interview published yesterday.

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R

Kohl embarrassed by succession blunder

By Ralph Atkins in Bonn

Helmut Kohl, the German chancellor, was yesterday forced into making a series of embarrassing clarifications about his political future after appearing to hint he would step down soon after next year's federal elections.

Mr Kohl made clear he intended to remain in office until at least 2002, the end of the next legislative period. "There is no lame-duck chancellor. That is the last thing I would want," he said in an interview with ZDF television.

His remarks came at the end of a frantic 24 hours for the Christian Democratic Union, after Mr Kohl revealed at the end of the party's conference in Leipzig that he hoped Wolfgang Schäuble, CDU parliamentary leader, would succeed him as chancellor one day.

Mr Kohl's gushing praise for Mr Schäuble fuelled speculation that Mr Kohl would fight next the election next September 27 but then stand aside for Mr Schäuble.

The comments were seized by Franz Müntefering, secretary of the opposition Social Democrats, as "a decisive nail in the coffin of the Kohl regime". It was a basic lesson of politics that you only named a successor when you had decided when to go, Mr Müntefering said.

Peter Hintze, CDU general secretary, retorted that the chancellor's comments about Mr Schäuble were meant to show that the party had a clear line of possible leaders "well into the future".

Later, in his television interview, Mr Kohl said: "When I carry on, I carry on for the entire legislative period." But he failed to correct the impression that despite his success this week in rallying the party, he was capable of elementary bungling.

Communists' demand for reshuffle rejected

By Chrystia Freeland in Moscow

The Kremlin yesterday fiercely rejected Communist demands to expel radical reformers from the cabinet, in a further sign that the government has emerged as the winner in this week's political crisis.

Russia's leaders insisted they would stand by Anatoly Chubais and Boris Nemtsov, the reformist first deputy prime ministers who have drawn most of the ire of the leftist-dominated legislature. "That is no way to talk with the government, it is not serious," Victor Chernomyrdin, the prime minister, said after Communist leaders had demanded the dismissal of the ministers.

The staunch defence of the cabinet reform team followed suggestions by senior Communists that the government might avert a repetition of this week's parliamentary offensive by sacking Mr Chubais.

Victor Iliukhin, a hardline Communist leader, said his party might back off from a scheduled no confidence vote next week if the radical reformers were dropped from the government.

The no confidence motion was originally planned for this week, but at the last minute deputies delayed voting. "If the president were to change a few figures which, in our opinion, are largely unacceptable for Russia, then next Wednesday the voting could have a different character," Mr Iliukhin said. The government's rejection of the Communist offer was seen as a signal that Russia's constitutionally feeble legislature has been further weakened by this week's events.

Most analysts contend that having failed to vote on the no confidence motion this week, parliament would lack the nerve to press the issue next week.

NEWS DIGEST

Sinn Féin backs Irish candidate

The Irish Republic's presidential race took a fresh twist yesterday when Gerry Adams, leader of Sinn Féin, the IRA's political wing, voiced support for the Fianna Fáil candidate, Mary McAleese, a Belfast academic.

Although Mr Adams does not have a vote, his comments on RTE radio were seized on by the Fine Gael camp, with John Bruton, the former prime minister, describing it as "deeply disturbing". The Fine Gael candidate, Mary Banotti, was noticeably silent on the issue.

A poll on Wednesday put Mrs McAleese in the lead with 32 per cent, ahead of Mrs Banotti with 24 per cent, Labour's candidate Adi Roche on 13 per cent, and the independents, Derek Nally and the singer Dana, each on 7 per cent .

Mrs McAleese has spent the week distancing herself from allegations about links with Sinn Fein, after the leaking of a foreign ministry memo detailing her views on Northern Ireland. *John Murray Brown, Dublin*

■ HUNGARIAN POLITICS

Nato vote may be scrapped

The Hungarian government looks likely to abandon a planned referendum on Nato membership after the Constitutional Court yesterday refused to rule on the referendum's legality.

Nato membership is supported by all the country's main parties, but the referendum, planned for November 16, had become mixed up with a much more controversial vote on foreign ownership of agricultural land.

Speaking before the court decision yesterday, Gyula Horn, the prime minister, said the government "cannot afford to risk the fate of the country's Nato membership. So if the November 16 referendum cannot be held because of the opposition, then as a last resort, the cabinet will decide on Nato membership without a referendum."

Hungary is due to sign initial membership documents with Nato on December 13. which

The country has the strongest public opposition to membership of all the former Communist states, although this has diminished in recent months because of an official pro-Nato propaganda campaign.

Although not legally necessary, a public yes vote has been viewed as an important argument in convincing sceptical US Senators of Hungary's commitment to the alliance. *Anatol Lieven, Budapest*

■ SPANISH TRIAL

Tough line on 'dirty war'

The prosecutor in Spain's "dirty war" case yesterday demanded stiff jail sentences for José Barrionuevo, former Socialist interior minister, and 11 other officials and policemen for their alleged role in a 1983 kidnapping.

The date of the supreme court trial has still to be set, but it is expected early next year. An investigating magistrate completed his inquiry in April into the affair, regarded as the first action in a covert campaign by the so-called Anti-terrorist Liberation Groups (GAL).

Mr Barrionuevo and Rafael Vera, a former state secretary, both face 23-year sentences on charges of gangsterism, illegal detention and misappropriation. The other defendants, including a former Socialist political leader in the Bilbao region, face between eight and 22 years. The prosecutor is also seeking Pta36m ($244,000) compensation for the victim of the kidnapping, who turned out to be the wrong man. *David White, Madrid*

■ FRENCH MEDIA

Havas sells Le Point

The French media group Havas yesterday sold Le Point, the weekly news magazine, to François Pinault, the financier who controls the retail giant Pinault Printemps Redoute.

The sale for an undisclosed sum of the magazine, which has had financial difficulties, comes after intense debate over the political implications of its sale. Mr Pinault is said to be close to President Jacques Chirac.

However, Artémis, the family holding company of Mr Pinault, indicated that the new owner had been the preferred choice of Le Point's founding editor and management team.

Havas indicated last night that discussions were continuing over the sale of L'Express magazine, Le Point's stablemate, with among others the newspaper Le Monde. Both sales were triggered by a refocusing of Havas after Générale des Eaux bought a controlling shareholding in the group at the start of this year. *Andrew Jack, Paris*

■ BOSNIAN SERBS

SFOR 'recruits' Cicero

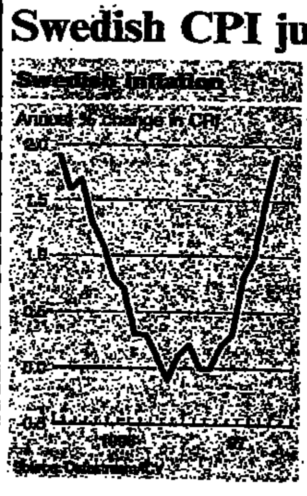
American helicopters have dropped thousands of leaflets on Bosnian Serb towns urging support for leaders who co-operate with the international community, Nato-led Stabilisation Force (SFOR) said yesterday.

The 43,000 leaflets dropped on Tuesday also had an educational content, quoting philosophers including Cicero, Thomas Jefferson, Kant, John Locke and Voltaire on freedom and justice. Part of one leaflet, printed over the SFOR logo, reads: "Stability begins when each person decides to do their best to avoid violence."

Lieutenant Colonel Jim Cronin said the drop was organised as part of efforts by civil affairs SFOR teams to encourage democracy. He said dropping the leaflets from the air would mean getting to people who might not want to be seen talking to SFOR troops. "A lot of people are afraid to take things from civil affairs teams . . . in case their neighbours see," he said. In towns targeted by the drops, many Serbs say they regard the SFOR as an occupation force. text *AFP, Sarajevo*

■ ECONOMIC WATCH

Swedish CPI jumps



Swedish consumer prices rose by 0.9 per cent last month, prompting warnings that the country's Riksbank might not be able to contain annual inflation below its 2 per cent target. The Central Statistical Bureau cited increased prices for tobacco, clothing, travel and telephone equipment as the main factors behind the rise. That helped lift inflation in the year to October to 1.9 per cent, compared with 1.5 per cent in the 12 months to September and 1 per cent in the year to July 31.

HSBC James Capel pointed out that the inflation figures might have been worse had it not been for lower mortgage costs. It added: "On the basis of the EU harmonised measure of inflation, which strips out mortgage effects, Sweden now has the second highest rate in the EU." The EU harmonised price index shows Sweden's consumer prices rose 1.3 per cent in September, pushing raising the year-on-year increase up to 2.7 per cent. *Tim Burt, Stockholm*

Galicia's lion fights to keep the left out of his den

David White on a veteran of the Franco era still flying the flag for Spain's conservatives

Vilalba, in Spain's rural northwest, already has a statue of Manuel Fraga. The bust of the town's most famous native son stands in a square flanked by rose bushes. They put it up 27 years ago after his period of stardom as minister of information and tourism under General Franco. But Mr Fraga was not finished yet.

Election posters hanging from lamp-posts around the square show the same features, with the marks of his age crudely touched up.

Mr Fraga, now almost 75, has spent the interim being ambassador in London, a minister again in the post-Franco transition, founder of the conservative Popular party, Spanish opposition leader, and lately president of his home region, Galicia. On Sunday he seeks a third term in elections to the region's parliament, the first electoral test for his party since it won national power in March last year.

What happens in Galicia, solid conservative territory with some urban leftwing strongholds, may not apply to the rest of Spain. But this was the first region ever to vote for a PP administration, and the party badly wants a resounding victory to set it on the road to a general election, possibly within the next 18 months.

On his opponents' side, Sunday's ballot brings modern Spain's first experiment in a Socialist-Communist front, and a growing Galician nationalist movement which last year sent two deputies to the Spanish congress, the first time it has surfaced in national politics since the 1930s.

Since self-government in 1981, Galicia has been a PP fiefdom, with one shaky period which led to a two-year interlude of Socialist presidency. Mr Fraga ended that in 1989, sweeping into the presidential palace in Santiago de Compostela with an outright majority. He needs to keep that majority now, since he has no potential ally among the other parties.

Of 2.5m eligible voters, one in 10 belongs to Galicia's far-flung emigrant community, from Argentina to Switzerland. Opinion polls suggest the PP will hold its place as by far the largest party, perhaps coming not far short of its 52 per cent score last time around, which brought it 43 of the 75 seats. Here in Lugo province, the poorest part of one of Spain's poorest regions, it has its strongest support, and the Socialists their weakest.

Mr Fraga intersperses his programme of electoral meetings with a punishing schedule of inaugurations – a public library here, a hospital there, this week a bus station. His Vilalba rally is held in a discotheque, where a mostly middle-aged and elderly audience has waited patiently to hear him. Mr Fraga waddles up to the lectern, gives them an emotion-packed seven minutes and is off. A one-time belligerent Spanish nationalist converted into a regionalist, he makes his speech in the Galician language, *de rigueur* nowadays.

He is known as the Lion of Vilalba, and this is his den. In the last regional election in 1993, the PP's score here was 73 per cent.

After their collapse in that election, the Socialists set out to compensate for lost votes by joining forces with the Galician branch of United Left, a Communist-Green formation.

Their candidate for the regional presidency, Abel Caballero, 51, is a Socialist left-winger, economics professor and former transport minister.

Closing in on the coalition's tail is the Galician Nationalist Bloc (BNG), an amalgam ranging from moderates to far-left separatists. Regional nationalism has been relatively slow to take off in Galicia, with its heavy dependence on central funds and high population of pensioners. But the BNG has filled the gap left by other leftwing parties. Its charismatic leader, Xosé Manuel Beiras – 61, grey curls and beard – is the only real rival to Mr Fraga in the personality stakes. In this campaign he has restrained the radical tone. "Sheep's clothing," Mr Fraga says.

After Vilalba, Mr Fraga clashes with Mr Beiras in the nearby city of Lugo. The PP cannot use the sports hall, scene of a famous Fraga rally in the first post-Franco general elections 20 years ago, because the BNG has bagged it. Mr Beiras, who draws a younger crowd, tells his audience Mr Fraga cannot win without resorting to "old methods" – referring to the custom of busing rural voters to the polling-stations.

"Fraga will win," says Ricardo López, a student, "because there are more old people than young people, and they're all PP."

But the PP has no regional successor in sight with anything like Mr Fraga's stature. Mr Fraga originally said he would not stand again, and then changed his mind. It was the only way the party could be confident of maintaining its hold. But it looks as if a victory on Sunday would give it only a temporary prolongation – in a region it has long regarded as a heartland.

Spain's miracle, Page 14

The Spanish government's Catalan ally has called for a new regional financing system starting in the year 2001, Reuters reports from Madrid. The Catalan leader Jordi Pujol was reported yesterday to have told the regional parliament: "We still do not have an equal financing system, and this does not suit a society and a country like Catalonia."

***Last* year the new Popular Party minority government agreed new deal to give regional governments 30 per cent of income taxes paid in their regions.**

A week ago Catalan nationalists pledged to support the government of Jose Maria Aznar, the prime minister, until at least January 1999.

Fraga: not finished yet

New Polish PM pins coalition hopes on economic growth

By Christopher Bobinski in Warsaw

Jerzy Buzek, the chemical engineering professor who is expected to be nominated as Poland's next prime minister today, hopes future economic growth will both keep his supporters happy and finance an ambitious reform programme.

But in the meantime, Mr Buzek has some delicate political negotiating to do as he tries to put a government together after the defeat of the coalition led by the former Communists in elections last month.

While initial interviews show that Mr Buzek is already thinking ahead to the challenges of government, he still faces the difficult task of putting together a cabinet. Mr Buzek's candidacy has the support of the pro-business Freedom Union (UW), the potential coalition partner of his own party, Solidarity Electoral Action (AWS). The AWS has 201 deputies in the 460-seat Sejm, the lower house of parliament, while the UW has 60 deputies. But even though Mr Buzek has said that he wants Leszek Balcerowicz, the UW leader to be both finance minister and a deputy premier, deep differences continue to plague talks between the AWS and the UW.

The two parties are split on the division of cabinet seats, as well as posts such as the leaders of the Sejm and the Senate, the upper house.

Even when a cabinet is in place it will face big spending constraints. Mr Buzek has said he will keep to a target budget deficit set by the outgoing government of 1.6 per cent of GDP for 1998. This is much less than the deficit of 2.8 per cent of GDP Poland is expected to notch up this year.

At the same time the AWS promised in its election manifesto that it would be spending more money on the social services and an 18-month-old campaign by doctors for more pay is currently coming to a head. Mr Buzek is also committed to finding money for decentralising local government and generous redundancy packages for miners promised under AWS plans to close loss-making pits.

Mr Buzek's impulse may be to look to the European Union, with which Poland starts accession talks next February, to provide funds to ease the restructuring of Poland's heavy industries and its overmanned agriculture sector.

He hinted yesterday at divisions in a future government coalition when he said that UW Mr Balcerowicz's party "puts too great importance on uncompromising economic action and pays too little attention to the social sphere".

Mr Buzek and his AWS colleagues remember that it was the pain caused by Mr Balcerowicz's successful free market reforms during his last term as finance minister which led to the downfall of the Solidarity government in 1993.

Environmentalists get senior jobs in new Oslo government

By Tim Burt in Stockholm

Kjell Magne Bondevik, prime minister of Norway's centre-right coalition government, yesterday unveiled a cabinet in which the ministries of finance and energy will both be held by a pro-environmental party.

Although the 19-strong cabinet is dominated by members of Mr Bondevik's Christian People's party, analysts were surprised that that the Centre party, which advocates cutting oil production and favours tough environmental legislation, would hold two of the most important portfolios.

Bondevik: new premier

The Centre party, which saw its share of the vote fall from almost 17 to 8 per cent in last month's election, has made it clear that it wants to cut oil production by 10 per cent. Norway currently produces between 3m and 3.2m barrels of oil a day and is the world's second largest exporter of crude after Saudi Arabia.

Marit Arnstad – the Centre party MP who will run the ministry of oil and energy – wants to delay Norway's 16th licensing round for new exploration fields. She also supports plans to ban drilling in the Skagerrak area, the main seaway between Norway, Denmark and Sweden.

Ms Arnstad is one of six Centre party politicians in Mr Bondevik's cabinet, along with Gudmund Restad, who will become finance minister when the government takes office today.

The new coalition – the Centre Party, the Liberals and the Christian People's Party – was invited to form a government earlier this week following the resignation of the Labour party. Nevertheless, Labour MPs will still outnumber coalition MPs in the Storting, where the new government commands only 42 of the 165 seats.

Many analysts believe the government's fragile minority will prevent it pushing through controversial legislation – including the proposed cut in oil output.

Knut Vollenbaek, of the Christian People's party, was yesterday named minister of foreign affairs, while his party colleague, Dag Jostein Fjaervoll, was appointed minister of defence. Hilde Frafjord Johnson, also of the CPP, was confirmed in the new post of minister of development and human rights.

NEWS: ASIA-PACIFIC

Japan plans to sort out its property mess

Japan's ability to tackle its deflated property market is crucial to economic recovery. A package to be unveiled early next week will contain tax reforms and deregulation designed to stimulate investor interest and relieve the financial and construction industries of their burden of non-performing property assets. **Michiyo Nakamoto** reports

For seven years, Japan's property policies have had one objective – to undermine land prices. Early next week, the government is expected to put those policies in reverse.

The problem has been that efforts to end the property market asset bubble have proved all too successful. Between 1990 – the market's peak – and 1995, the value of real estate assets of individuals has fallen Y379,000bn ($3,157bn), and that of property held by the corporate sector by Y171,000bn. Combined, those figures equal 109 per cent of Japan's 1996 gross domestic product. The market has continued to deteriorate since then.

"The problem with the Japanese economy," Ryutaro Hashimoto, the prime minister, acknowledged earlier this month, "is that property is not moving."

Although interest rates are at an historic low, construction and property companies are reeling under the burden of the debts acquired during the property boom of the late 1980s.

The banking sector, which lent to them, is also in serious trouble. Non-performing assets, most of which are real estate loans, are an estimated Y100,000bn, according to Takashi Hashimoto, industry analyst at Salomon Brothers in Tokyo.

At the moment there is simply not enough liquidity in the property market. Until a significant number of transactions take place, the actual value of property assets will remain obscure. So too will the scale of the banks' bad debts. In the meantime, the banks' poor performance combined with individuals' personal losses continue to hold back the economy.

To address these problems, the ruling Liberal Democratic party is considering a range of measures, including land tax reform, deregulation of zoning rules and special tax measures to encourage the emergence of a market in property asset-backed securities.

The business community believes tax reform, in particular, is crucial to reduce the financial burden of investing in property. Calls are being made for abolition of the land value tax, at 0.15 per cent, a reduction in the fixed asset tax at 1.14 per cent and in the capital gains tax, which amounts to between 5 and 15 per cent for corporations and 26 and 52 per cent for individuals.

Steps to allow full-scale securitisation of property assets could create a market worth tens of billions of yen. "If Japan were to have a real estate securitisation market of the same percentage of GDP as the US, the size of the market would be Y12,600bn, 21 times the current level," notes Steven Weiler, industry analyst at Jardine Flemings in Tokyo.

Nevertheless, in spite of all the talk, it is still far from clear whether the Japanese government in fact has the will to push through reforms that could prove to be controversial.

Until earlier this year, it was still firmly committed to a policy of pricking the property bubble. The goal was to ensure that rising asset values did not create social inequalities as the gap between those who owned property and those who did not widened. The government's aim was not only to stop speculation, but to bring property prices down to a more affordable level for the average Japanese family.

Strict regulations adopted during the speculative excesses of those years have yet to be lifted. These include punishingly high taxes on property transaction, investment and ownership.

Few people would question the effectiveness of these measures. Japanese land prices have fallen for six consecutive years, with prices in the leading urban areas falling for seven years in a row. In Tokyo, commercial property values are now 70 per cent below their peak in 1990, while residential land is down 45 per cent.

It is ironic that the government's goal of reducing land values in order to make property more affordable to the common man has hurt many homeowners who bought their homes on borrowed money.

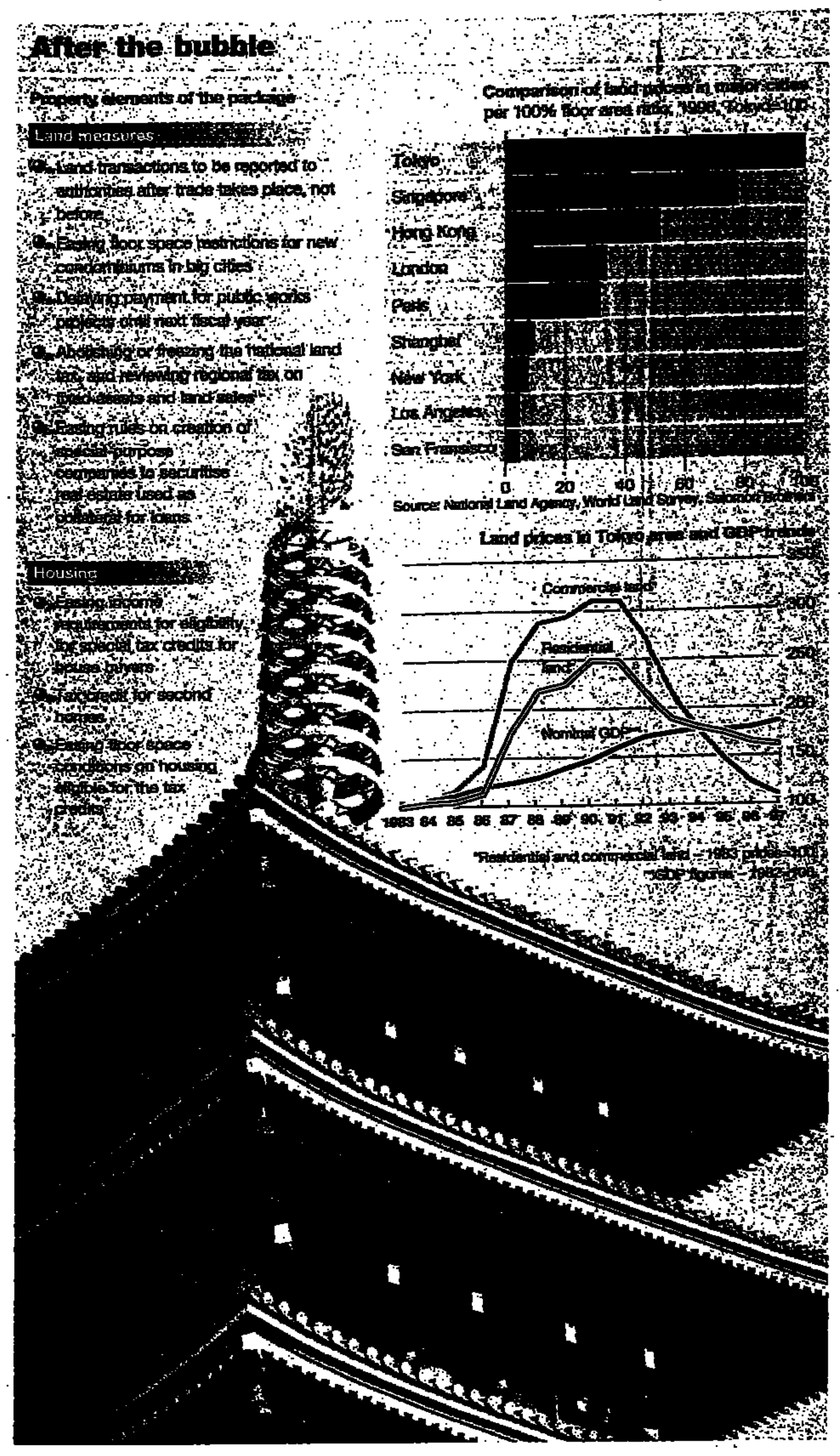
There is little doubt of the need for action. Although demand has started to pick up for prime commercial and residential sites, prices for less attractive plots have continued to fall, suggesting that there is a growing polarisation of demand.

What's more, there are lingering concerns that future supply of land could outstrip demand. A combination of the shift of manufacturing overseas, increasing conversion of farmland for housing, and an expected surge in office supply from 2001 continue to fuel those concerns.

"We believe that demand for property has not materialised for a variety of reasons which continue to put pressure on the market," says Katsuichi Imai, in charge of land and agriculture issues at Keidanren, the leading business federation.

The problem for the government is that it is committed to fiscal rectitude and there is an unwillingness to reduce tax revenues. Its reluctance to implement reforms that could cut tax revenue do not bode well for bold action.

The package next week will set the direction, but it is likely to be some time before the property market begins to recover, let alone provide a stimulus to the rest of the economy.



Securitisation is the new buzzword

Banks' reluctance to sell land at a loss may inhibit assets-for-bonds scheme

This autumn an unlikely new buzzword is provoking a wave of excitement in Japan's ailing property market: "securitisation".

The US-originated concept, which entails restructuring assets into bonds, has traditionally been almost invisible in Japan.

For though the country has a limited market in asset-backed securities in such items as cars, the real estate sector is almost non-existent.

However, officials are now drawing up plans to encourage the practice – and argue it could provide the trigger that would transform the property market.

Jardine Flemings, the securities firm, thinks that the potential real estate securitisation market could grow from almost nothing to Y13,000bn ($107bn) in the next few years. But behind all the hype, one fundamental uncertainty remains: can the concept ever take off in Japan?

On paper, the logic is certainly attractive. A key factor dragging Japan's property market down is the huge property-related bad loans held by financial institutions, including banks. With Big Bang looming, the banks need to clear these bad loans. And some appear to have started: the Bank of Tokyo Mitsubishi, for example, recently announced Y1,076bn provisions for bad loans.

But so far these "provisions" have primarily been an accounting illusion. For the banks have been slow to realise the losses by calling in the loans or selling the property collateral.

This is partly because it is still very difficult to find enough investors prepared to buy land, at anything other than severely discounted prices.

Securitisation could change this. What happens is the bank moves the property-backed loan to a special-purpose company. This company then uses the property as an asset against which it issues bonds, which are then sold to a range of investors. The price of those bonds would, among other things, reflect the quality of the diversified loan portfolio that is being securitised.

This has a crucial advantage: it broadens the number of potential investors. Bonds and equities can be turned into mutual fund products, for example, which can be sold to retail investors. In theory this makes it easier for the banks to sell the loans, and so leads to a more liquid market.

This logic has worked elsewhere. Securitisation, for example, helped the US financial sector to clear bad loans from its 1980s banking crisis. And Japanese officials argue that this US experience could be a useful precedent for Japan.

> It is unclear whether the government will implement radical tax reforms

This may be over-optimistic, however. For in practice the country still has a myriad of obstacles that hamper the market.

The government is addressing some of these: it plans, for example, to remove restrictions that make it hard to establish domestic special-purpose companies.

But progress on others is patchy: it remains unclear, for example, whether the government will implement the radical tax reforms needed to make securitisation truly attractive.

The country also lacks the type of efficient and advanced legal system that is needed for a large securitisation market. As one US official says: "Working through defaults and collecting collateral can require litigation, but Japan has a crying shortage of lawyers."

But the most fundamental problem is the attitude of the banks. For in spite of public pledges that they want to clear their bad loans, many still seem reluctant to sell property – with or without securitisation.

As one western banker who has been trying to structure securitisation deals in Tokyo recently says: "It is frustrating – we have lots of clients who want to invest in this area, but we just cannot get the banks to sell."

This may reflect traditional corporate culture. Securitisation forces banks to realise losses in a transparent manner. As an official at a leading Japanese broker says: "Bank staff here do not usually want their name to become linked to large losses."

But the banks also have motives for waiting. If property prices recover in the coming years, their losses on the collateral will fall. And with interest rates so low in Japan, there is little financial penalty for inaction.

Most analysts think this will change over the next five years. And some deals have recently emerged: Sanwa Bank, for example, has conducted a Y30bn securitisation of bad property related loans, while Goldman Sachs recently organised a Y40bn deal with Sumitomo Bank.

But few expect a rapid revolution. Securitisation, in other words, is unlikely to provide an easy or rapid elixir to Japan's immediate economic problems this autumn.

Gillian Tett

CASE STUDY

Ginza store sits on a fortune

The discreetly elegant façade of the Komatsu store in the heart of Tokyo's Ginza district masks the extraordinary wealth concentrated just beneath the unassuming building.

The Ginza Komatsu store sits on Japan's most expensive plot of land. At Y12.8m ($106,000) per square metre, the site of the Komatsu building is hardly cheap.

Nevertheless, compared with the frenzied days of the bubble economy, the plot's value has plunged to about third of what it was in 1993, when a square metre of land under the store would have fetched Y34.5m.

The fashionable shoppers and high-flying businessmen walking past the building's glass-fronted entrance or enjoying a break in the ground floor coffee shop could hardly be bothered by the decline in the fortunes of the Komatsu Store, which owns the land.

For those who are ready to pay Y650 ($5.40) for a cup of regular coffee or Y800 for a sip of Russian tea, it is the aura of wealth that still pervades the store that counts.

The Bird of Paradise flower arrangements, the foreign designer names and swanky sales girls clad in black suits manage to create the atmosphere of exclusivity they seek.

But in a stark reminder of the post-bubble gloom, the store's expensive boutiques were practically deserted on a recent weekday afternoon.

There were no shoppers to solicit the services of the elegant sales lady in the Patricia Underwood store, where a hat was on display for Y68,000.

Sales attendants were at a loss to occupy themselves on the upstairs floors, where a Vivienne Westwood coat was available for Y150,000 and a brown pair of Gemmy trousers commanded Y120,000.

Not surprisingly, Komatsu Store is under pressure to revive business, which may be hurting it more than the fall in the value of its land holding. Since 1994, it has made net losses on sales of nearly Y2bn.

Credit move irks Vietnam bank

By Jeremy Grant in Hanoi

Vietnam's flagship bank, Vietcombank, was yesterday forced to defend its already bruised image abroad after the German government decided to withdraw export credit cover to the bank amid fresh concerns over the health of the country's ailing financial system.

Hermes, the export credit agency, said it had ceased offering German exporters insurance for trade deals involving Vietcombank, a state-owned bank that foreign bankers regard as a quasi-sovereign risk, as creditworthy as the government itself.

"I can confirm that we are off cover for Vietcombank for future contracts. The reason is that there are outstanding arrears on letter of credit payments," an official at the Hamburg-based agency said.

However, Vietcombank hit back at the ruling, saying it appeared to be based on a series of letter of credit defaults four months ago that shook confidence in Vietnam. They had since been repaid.

"This is not today's problem; it's yesterday's problem. I don't know why they're still concerned with defaulted LCs because we have solved everything," said Vu Viet Ngoan, Vietcombank deputy director general. The bank would seek a reversal of the decision through the German embassy in Hanoi.

Some foreign bankers were taken aback by the Hermes decision, saying the bank had improved its payment record. "I'm surprised that they have junked Vietcombank as they seemed to be getting their act together," said Klemens Burkart of Germany's BHF Bank in Ho Chi Minh City.

Vietcombank is the only local bank with a presence abroad and yesterday opened an office in Singapore.

Nevertheless the Hermes move comes as bankers fret over a further slew of letter of credit payments falling due in the next three months. A devaluation of the non-convertible dong this week made it more expensive for Vietnamese banks to pay hard currency debts.

Economists have said total outstanding debts amount to about $1.3bn, some of which includes deferred LCs owed largely to Korean and Japanese creditors.

Much of the debt is owed by small, semi-private banks in Ho Chi Minh City and stems from fraudulent trade deals resulting in jail sentences for bank and company officials.

But one foreign banker said that state-owned banks had "their fair share of defaulted LCs" and that provincial branches of Vietcombank had been known to default regardless of policy at headquarters.

Hanoi recently ordered traders and banks to pay all foreign debts. But another banker said: "What worries me is that it [the order] doesn't say what the bank can do if it can't meet its obligations."

Taiwan tries to calm financial markets

By Laura Tyson in Taipei

Taiwan yesterday unveiled measures to stem a slide in share prices and calm financial markets upset by Asia's currency woes, falls on Wall Street and the forthcoming US-China summit.

The central bank cut commercial banks' required reserve ratios to ease a financial liquidity squeeze and raised a 25 per cent ceiling on foreign investment in domestic shares to 30 per cent. The cap on foreign holdings in any single stock rises from 10 per cent to 15 per cent.

Earlier yesterday, the finance ministry announced it would speed up its review of mutual fund applications and allow foreign funds to invest in local futures trading.

The moves are designed to boost flagging investor sentiment in Taiwan's retail-dominated stock market and restore calm to turbulent foreign exchange and money markets, but the impact will likely be short-lived.

Share prices tumbled 3.2 per cent, plunging below an 8,000-point psychological barrier. In a sign that the stock market's bull run this year may have reversed, the electronics sector that fueled the rally fell 5.8 per cent yesterday.

Liang Cheng-chin, deputy central bank governor, declared the Taiwan dollar "under-valued" and vowed to maintain "stability" of the local currency in the face of "abnormal expectations", saying this was the government's top priority. The Taiwan dollar has come under increasing pressure amid falls in currencies across the region, but the central bank has repeatedly promised to defend the currency.

Concerns are growing that Taiwan exports may lose competitiveness against those of neighbouring countries, most of whose currencies have plummeted against the US dollar in recent months and whose exports have, in consequence, gained price competitiveness. Nonetheless, the central bank has intervened in the foreign exchange market in recent weeks to support the Taiwan dollar and the currency even appreciated somewhat against the US dollar.

Sheu Yuan-dong, central bank governor, told parliament earlier this week the bank had spent US$4bn-US$5bn defending the Taiwan dollar, but he did not specify over what time frame the funds were deployed.

The stock market reached a seven-year high of 10,116.84 on August 26. But since then, the index has fallen 21 per cent and the bellwether electronics sector has fallen 29 per cent.

World Stock Markets, Page 36

Indonesia to offer investors tax breaks

By Sander Thoenes in Jakarta

Indonesia is poised to give corporate tax holidays to large investors in spite of an expected shortfall in tax revenues, a senior official said yesterday.

Sanyoto Sastrowardoyo, minister for investment and procurement, said 19 domestic and foreign companies had applied for corporate tax holidays of up to 10 years. Some holidays would be announced "within the coming weeks," he said.

Indonesia awarded tax exemptions to six companies last month, just as the government announced drastic budget cuts in response to a sharp depreciation of the rupiah. Indonesia's finance minister, Mar'ie Muhammad, warned last month that Indonesia faced a budget deficit of Rp9,200bn ($2.7bn) – partly because of reduced tax revenues as companies have been hurt by depreciation and tight liquidity – unless further budget cuts were implemented.

The tax holidays, which have yet to be quantified in public, have been controversial as they were awarded mostly to close associates of President Suharto.

They are unlikely to please the International Monetary Fund and the World Bank, which have sent a team to Jakarta to draft an assistance program tied to conditions of monetary and economic reform.

Mr Sanyoto insisted the tax exemptions would only be awarded to investments which created jobs, boosted exports and involved high technology. "If we don't give them tax holidays, they will go to another country."

Mr Sanyoto said investment would drop significantly this year, partly because of the currency crisis, which has seen the rupiah fall by 32 per cent against the US dollar since August.

He added that the Investment Co-ordinating Agency, which he heads, had approved Rp99,600bn worth of domestic investment projects to date, and $24.9bn in foreign investments. Mr Sanyoto said foreign investment approvals would be down 12 to 15 per cent this year while domestic approvals would rise slightly.

But only half of the approved projects went ahead last year, and Mr Sanyoto said "we could not expect this percentage this year because of the scarcity of rupiah and the high interest rates".

NEWS: WORLD TRADE

EU to consider banana options

By Frances Williams in Geneva

The European Union yesterday told the World Trade Organisation it would change its banana import licensing regime in line with its "international obligations", following a WTO ruling that the regime violates fair trade rules.

However, to the irritation of the US and the four Latin American nations that brought the original complaint, Brussels did not say how or when this would be done.

Addressing a meeting of the WTO's dispute settlement body, Roderick Abbott, EU ambassador in Geneva, said Brussels had begun to examine all possible options for reforming the system. However, given the issue's "extreme complexity", the EU would need a "reasonable period of time" to comply with the WTO's ruling. In WTO terms, this means up to 15 months from adoption of the ruling on September 25.

A neutral WTO panel, supported on appeal, said the EU's banana import regime unfairly discriminated against Latin American producers and marketing companies in the allocation of import licences. However, the EU could continue to give preferential tariffs for bananas from African, Caribbean and Pacific (ACP) nations to fulfil its trade obligations to these countries under the Lomé Convention, which is covered by a WTO waiver.

Caribbean nations argue that tariff preferences will not be enough to prevent devastation of their banana-dependent economies by a change in the import licensing system. At the same time, the US and the other complainants – Ecuador, Guatemala, Honduras and Mexico – have made clear they want the regime dismantled and will not settle for compensation.

The EU, whose member states are split on the issue, plans to consult with Washington, Latin American producers and the ACP states on what to do next, a process that could take several months.

The dispute settlement body also:

- Set up a panel to examine complaints by the US and EU that South Korea's taxes on spirits discriminate against imports;
- Set up a panel at the EU's request on India's failure to comply fully with the WTO's intellectual property agreement. India appealed earlier this week against an adverse panel ruling following a similar complaint from the US;
- Set up a panel on an EU complaint regarding Argentina's textiles tariffs. This too is already the subject of a US-instigated panel set up in February whose confidential interim report circulated last week is said to have found against Argentina.

First requests for panels on Chile's alcohol taxes by the EU, on India's panoply of import controls by the US, and on Japan's quarantine regulations for fruit, also by the US, were turned down.

Fillip for talks on financial services

By Frances Williams in Geneva

Indonesia and Brazil have pledged to submit new offers next month to open their financial services markets to foreign competition, and Malaysia has also indicated it is preparing an offer, according to trade diplomats.

Good offers from these important emerging markets are seen as essential for World Trade Organisation talks on liberalising banking, insurance and securities markets worldwide to succeed by the December 12 deadline.

So far 34 countries, counting the European Union as 15, have submitted new or revised market-opening proposals in the current negotiations, which resumed in April. Others are expected to table offers today when financial services negotiators meet at the WTO to take stock of progress in this week's bilateral negotiations.

Trade diplomats yesterday were cautiously optimistic about the prospects of success but warned that time was short. Concern has centred on south-east Asia, where currency turmoil since the summer has increased the reluctance of countries in the region to do anything that might increase financial instability.

The US, which walked away from an interim financial services deal in 1995, has said it must have improved offers from south-east Asia, as well as key markets in Latin America – but in contrast to two years ago is now showing considerable flexibility on such issues as staging and safeguards against unexpected disruptions in financial markets.

US officials said yesterday that they had received "some positive signals" this week and that the countries of south-east Asia were "clearly engaged in the negotiations".

Among Asean members, only Singapore, less affected by the currency crisis, has so far tabled an offer. The Philippines, which had indicated in September that an offer would be forthcoming soon, has not delivered.

However, Indonesia and Malaysia may have decided that a global financial services deal could help them through the financial crisis by boosting the confidence of foreign investors. "They want this under their belt to help get the financial crisis behind them," said one trade official.

Sources close to the talks said the Indonesian offer might include a commitment to guaranteeing existing foreign stakes in the insurance sector that go above the 49 per cent limit for foreign participation.

Guaranteeing existing investments, or "grandfathering," is one of four demands the US is making in these talks, the others being the right to establish in foreign markets, the right to own a majority stake in domestic companies and the right of foreign firms to be treated on an equal basis with domestic ones.

EU urges US to be flexible on Cuba trade law

By Neil Buckley in Brussels

European Union states yesterday agreed that transatlantic talks to resolve a row over US extra-territorial trade laws should continue, but urged the US to show "greater flexibility".

EU ambassadors meeting in Brussels agreed a statement expressing disappointment at this week's failure to reach agreement between the two sides, and called for a "time for reflection" to allow the US to come up with new ideas.

But they said talks should continue – despite calls from some countries, notably France, for negotiations to be broken off.

US officials also said that Alan Larson, assistant secretary of state for economic and business affairs, who headed the US delegation, would recommend to Washington that talks should continue.

The ambassadors were meeting less than 24 hours after the latest round of EU-US talks broke up on Wednesday night without agreement on a way to defuse the transatlantic dispute over the US Helms-Burton anti-Cuba law.

No common document was agreed between the two sides, despite the passing of a deadline for agreement at midnight on Wednesday, set six months ago.

It was then that the EU suspended a challenge in the World Trade Organisation to the US legislation, aimed at barring companies from acquiring or dealing in former US assets expropriated by Cuba.

The statement agreed yesterday said the EU still reserved the right to reactivate its WTO challenge if any European companies were affected by the law.

But European Commission officials said they had no immediate plans to go back to the Geneva trade body, unless progress towards a broader transatlantic agreement on how to deal with the problems of expropriated property and conflicts of jurisdiction broke down.

Both sides insisted that the gap between the two sides had been narrowed, but admitted that significant differences remained.

One is thought to have been over the US insistence that "problem" states such as Cuba should be subject to specific treatment, on top of any agreed international ban on investment in illegally expropriated property.

The US also continued to exclude any legally binding prohibition on trade laws that might have an extra-territorial effect – as called for by the EU.

But some progress was made on a US proposal for a high-level consultation mechanism, to pinpoint potential problems and deal with conflicts of jurisdictions.

Talks are expected to resume next week in the margins of a meeting at the Organisation for Economic Co-operation and Development in Paris on a new multilateral agreement on investment.

NEWS DIGEST

Porsche sidelines Japanese partner

Porsche, the German luxury sports car maker, plans to take direct control of the import and sale of its vehicles in Japan – its second most important export market after the US. Its local partner, Mizwa Motors, has responded with legal action.

Wendelin Wiedeking, Porsche's chairman, said the decision was in line with the company's global strategy of strengthening its overseas operations. The company plans to increase its sales in Japan from 2,000 to 2,900 cars by the year 2000 and to 4,000 over the medium term, Mr Wiedeking said.

Mizwa, which relies heavily on Porsche business, has filed an injunction claiming that Porsche's action was unjustified. Porsche said it had acted according to the terms of its contract with Mizwa, its partner for 45 years, and had told Mizwa two years ago that the contract would be terminated at the end of 1997.

The German company, which expressed surprise about the legal action, has offered Mizwa a continuing dealership role in Japan, as well as financial compensation for the loss of the import business. Porsche said it already had its own sales subsidiaries in the US, the UK, Italy, Australia and Spain. It also plans to set up new regional offices in the Middle East, south-east Asia and south America.

The company sold around 32,000 cars last year, of which nearly 10,000 went to the US.

Michiyo Nakamoto, Tokyo and Andrew Fisher, Frankfurt

■ POLISH MOTOR INDUSTRY

Go-ahead for Hyundai plant

Poland's outgoing government has given Hyundai, the Korean industrial conglomerate, permission to start tariff-free car assembly, despite protests from other foreign car manufacturers, notably Daewoo, which have made major investment commitments in the country. The car manufacturers are arguing that the fledgling domestic market should be protected until the end of the century.

Hyundai plans to assemble an initial batch of 1,000 cars in Poland and says 10,000 will be assembled next year. The cost of a five-year plan for the project is set at $120m. However, Hyundai has said it would be willing to invest $1bn in car manufacturing in Poland, should "market conditions permit". Hyundai, hampered by high import tariffs, sold a mere 1,700 cars last year in Poland – about 1 per cent of market share in its target segments.

Hyundai's local partner is Sobieslaw Zasada Centrum, a listed company specialising in the motor industry which has been working with Mercedes of Germany on joint local assembly of vans. The Polish company also makes buses and trucks for the local market.

Hyundai has told the Polish government that it is also considering investments in the country's steel, electronics, shipbuilding and construction industries.

Christopher Bobinski, Warsaw

■ TRADE IN CATTLE PRODUCTS

EU vets defer tallow decision

A dispute between the European Union and the US over trade in derivatives of tallow, a cattle product, looks likely to be prolonged after EU veterinary experts yesterday deferred a decision on what advice to give until next month.

The delay will disappoint the US, which is anxious to negotiate removal of an EU ban on specified cattle products before its implementation on January 1. It says billions of dollars worth of trade is at risk since cattle products including tallow are used in a wide range of industries. The EU ordered the ban amid fears that BSE or "mad cow" disease could kill people.

Michael Smith, Brussels

■ TURKISH CONSTRUCTION

Kvaerner wins bridge contract

A consortium led by Kvaerner, the Anglo-Norwegian construction group, has won the concession to finance, build and operate the world's second longest suspension bridge, part of the $1.8bn Izmit Bay crossing in Turkey.

The 3.3km bridge located at the eastern end of the Sea of Marmara, 50km from Istanbul, will form part of a spur from the Istanbul-Ankara highway providing access to the south-west of the country.

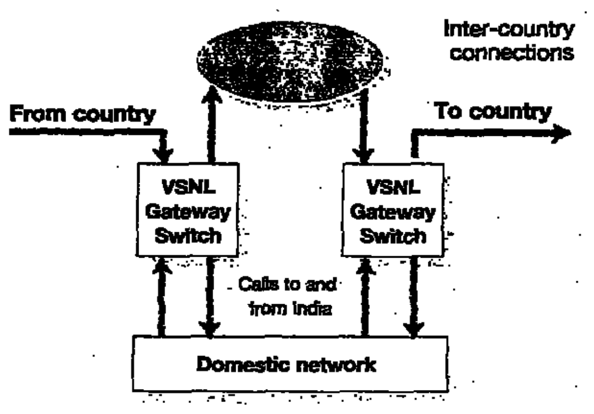
The consortium, which includes Japanese trading houses Itochu and Marubeni, Japanese contractors IHI, MHI and NKK, and Enka, the Turkish contractor, have won a 27-year concession to operate the bridge and an associated 40km highway. It said the toll cost for a car would be equivalent to $11 at 1996 prices.

Financial close for funding is expected to take place by the end of next year.

Andrew Taylor, Construction Correspondent

India seeks bids for a telecoms partner

By Mark Nicholson in New Delhi



Several of the world's biggest telecom companies are today expected to submit bids to partner VSNL, India's state-owned international telecoms operator, in a $500m venture to turn India into a telecommunications "hub" for Asia and the Middle East.

India's Telecom Commission, the responsible ministry, has solicited tenders for the project from at least 20 global telecoms groups, including NTT of Japan, AT&T and Sprint, the US international operators, Singapore Telecom, Deutsche Telekom, France Telecom, Telecom Italia and Hong Kong Telecom.

One certain bidder when the tender deadline closes this morning is British Telecom-MCI, the Anglo-American telecoms alliance, which originated the concept of developing India as a telecoms hub in alliance with VSNL in the first place.

A BT-MCI consortium, also including Marubeni, the Japanese trading house, and IL&FS, an Indian infrastructure finance institution, raised the idea almost two years ago in talks with VSNL and appeared until earlier this year to be moving towards forging a formal alliance to create the "hub" – which would create a high-speed, fibre-optic based telecoms backbone through which India would become a regional communications centre.

However, though VSNL was enthusiastic about partnering BT-MCI and the Indian government liked the scheme, there was political, corporate and bureaucratic opposition to allowing BT-MCI to proceed without competitive tendering for the project. The government in the summer therefore decided to invite other telecoms groups to tender for the project – a move which prompted B.K. Syngal, VSNL's chairman, to accuse vested interests of seeking to derail the original project.

The hub would aim to replace bilateral telecoms agreements between India's South Asian and Middle Eastern neighbours, offering its high-speed link as a cheaper, faster network for routing regional calls. The hub consortium would earn agency fees on the additional resulting traffic flows. Indian industry estimates have suggested the hub could raise more than $80m a year in foreign exchange earnings, a BT spokesman said.

The proposed Indian hub would be the first such in the world. The Indian government would hold no less than 50 per cent of the venture.

A.V. Gokak, chairman of the Telecoms Commission, has likened the hub to an airport transit lounge, through which traffic would flow without direct contact with the country's existing infrastructure.

The distinction is politically important in India, where current government policy extends a monopoly over long-distance telephony to state providers until 1999, and a monopoly on international calls to VSNL until 2004. Some critics of the hub project have argued that it would hand the winning foreign bidder a powerful strategic position once India liberalises international telephony.

BT-MCI, which says it "welcomes" competition for the project, will resubmit its original blueprint for the scheme. "There are some very strategic parts of the world and it seems to us that India has an opportunity to be a hub, not only for South Asia but for all of Asia," said Richard Slogrove, BT's director for global marketing.

BT has already invested $100m in India, where it has a software joint venture with Mahindra & Mahindra, the diversified Indian corporate house, and an equity stake in Airtel, the Delhi cellular operator.

Telecoms, Page 20

US drugs sales grow rapidly

By Daniel Green

World retail pharmacy purchases year to August 1997 ($m)

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Neths	Belg.
Cardiovascular	[illegible]	7,978	[illegible]	[illegible]	2,011	1,428	[illegible]	[illegible]	419	418
Alimentary/Metabolism	10,608	7,243	2,445	2,180	1,375	1,427	793	610	411	270
Central Nervous System	[illegible]	2,706	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	243	315
Anti-infectives	8,570	5,259	1,241	1,879	1,221	462	557	289	127	230
Respiratory	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	379	228	201
Musculo-skeletal	2,457	3,112	706	664	496	440	244	171	64	93
Genito-urinary	[illegible]	[illegible]	[illegible]	[illegible]	431	415	184	218	111	67
Others	10,081	13,789	2,697	1,851	1,578	988	778	642	304	255
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,498	4,910	[illegible]	[illegible]	[illegible]
% Change*	14	0	1	2	7	8	8	8	4	4

*Changes exclude currency movements

Source: IMS International

US drugs sales are growing almost four times as fast as those in Europe, underlining how much the shape of US healthcare is changing.

US drug sales in the year to August 1997 were worth $65bn, an increase of 14 per cent on the year to August 1996. Sales in the seven biggest European markets, by contrast rose only 4 per cent, to $54.3bn.

The findings, published by specialist pharmaceuticals market researchers IMS International, suggest that a sharp increase in US sales by drugs companies reported so far this year is set to continue.

These gains appear to be driven by the growth of "managed care", in which the management of healthcare is contracted out to third party companies called health maintenance organisations (HMOs).

HMOs have concentrated their efforts on cutting hospital stays and doctors' visits, and one method of doing this is to prescribe more drugs. Even expensive drugs are cheap by comparison with an overnight hospital stay.

The IMS report shows that drug growth varies widely within Europe. Faster growing are the UK and Spain, both rising 8 per cent to $7.4bn and $4.9bn respectively. The changes exclude exchange rate movements.

The slowest growing market is Germany, with sales inching up 1 per cent, to $15bn. France comes next, growing 2 per cent to $14.2bn in spite of having among the lowest drugs prices in Europe.

Italy, where sales are recovering after government price cuts, saw sales rise 7 per cent to $8.8bn. In Japan, where the government instituted another round of price cuts in April, sales showed no change at $43.8bn.

By medical area, the strongest growth was in nervous system drugs, where sales rose 13 per cent to $23.1bn. The US led the way in this segment with sales up 20 per cent, with the UK and Spain seeing sales up 15 per cent and 17 per cent respectively.

The growth was driven by antidepressants such as Prozac, made by US company Eli Lilly. Also performing well were anti-epilepsy drugs.

Growing more modestly is the biggest single medical category, heart drugs. The driving force is recently launched cholesterol-lowering drugs such as Zocor and Pravachol, from US companies Merck and Bristol-Myers Squibb respectively.

Heart drug sales rose 6 per cent to $33.9bn in the 10 main developed country markets surveyed by IMS. But different countries showed sharply different growth rates depending on whether or not the cholesterol-lowering drugs were widely accepted as effective by doctors.

NEWS: INTERNATIONAL

Shas threatens Netanyahu over religious rights

By Judy Dempsey in Jerusalem

Shas, Israel's ultra-Orthodox party, has said it will pull out of Benjamin Netanyahu's Likud government if he accepts reforms recognising the religious rights of the Jewish Reform and Conservative Progressive movements.

The dispute, expected to come to a head after the Jewish holidays, could isolate Reform Jews in Israel but also damage Israel's relations with the diaspora, particularly among US Jews where Reform Jews are the majority.

At issue is the conversion of Jews and the status of councils providing religious services throughout the country.

Shas, headed by Aryeh Deri and Shlomo Benizri, has rejected proposals by Yaakov Neeman, the finance minister and chairman of the committee set up by Mr Netanyahu to find a compromise. Earlier this week, Mr Neeman proposed that Reform and Conservative rabbis be allowed to officiate at marriage ceremonies and take part in preparing non-Jews for conversion.

But Shas is insisting that the *status quo* be upheld – if not legally sanctioned in Israel – whereby ultra-Orthodox rabbis retain the right to convert, while those converted by progressive rabbis would not be considered Jewish.

And backed by Mr Netanyahu, the ultra-Orthodox parties oppose the representation of Reform and Conservative Jews on the religious councils, despite the prime minister's backing of Joyce Brenner, a Reform Jew, to the Netanya religious council last August.

"Netanyahu signed my appointment but now he seems to be changing his mind," said Ms Brenner.

"Ultra-Orthodox rabbis are trying to freeze my appointment, determined to bring this issue and the conversion dispute to the Knesset. All we are trying to do is to uphold the democratic principles of our country."

Mr Deri said if a conversion law did not give the ultra-Orthodox exclusivity in converting non-Jews, and if Reform and Conservative Jews were permitted to sit on religious councils, "there will be no budget and no coalition. We made a mistake in not insisting on this before."

Shas has gone on the offensive, believing it can extract more concessions from Mr Netanyahu as Ehud Barak, leader of the opposition Labour party, mobilises support, even from Likud, to topple the prime minister in a vote of no-confidence. Labour needs 80 votes from among the 120-member Knesset to vote Mr Netanyahu, but not the Knesset, out of office.

"Shas knows Netanyahu could be vulnerable as more Likud deputies believe the prime minister is no longer capable of running the country or saving the peace process," a Labour party official said. "Netanyahu needs the support of the religious parties if he is to remain in power."

The issues have far-reaching implications for Israel and the diaspora.

If Shas succeeds, it will upset the delicate balance between democratic pluralism and Judaism. "All we are asking for is representation of the population," said Ms Brenner, who has fought a three-year battle to join the religious council.

It could also galvanise Reform Jewry in the US, who are increasingly critical about the direction Mr Netanyahu, a secular Jew, is leading Israel.

Rebel shadow over Uganda's pet project

Hopes of reviving a copper-cobalt project are threatened by a terror campaign, writes Michela Wrong

Like a giant waking from a long sleep, the abandoned copper and cobalt mine at Kilembe in south-west Uganda, is stirring into life.

Technicians are setting up a cobalt plant to process the mounds of tailings (waste dumps) that blemish the narrow valley. A feasibility study into reopening the mine proper is under way and a handful of foreign logistics experts have arrived to smooth the path of the 150 expatriate families due to move in.

But the rush of activity leaves many locals bemused. For while new personnel plan to stream into the neat rows of houses inside the mine compound, expatriate aid workers have evacuated the area in the firm conviction it is no longer safe.

Located within hiking distance of the border with Congo, formerly Zaire, Kilembe has become a target for Allied Democratic Forces (ADF) rebels who have terrorised the fabled Mountains of the Moon since Laurent Kabila's military campaign robbed them of their bases in former Zaire.

The rebels have raided the mine's hospital in search of drugs, ambushed a minibus driving through the town centre and repeatedly struck at the nearby settlement of Kasese, killing and abducting residents.

Despite the presence of an army unit camped at the bottom of the valley, the hospital is full of patients with shot wounds and landmine injuries. After dark, few venture outdoors.

"The ADF campaign is meant to scare, cause a panic and get as much media attention as possible," says a departing member of the Dutch medical charity Memisa, one of several international development organisations to pull out. "So we felt it was probably only a matter of time before expatriates were targeted."

Dismissing such fears as exaggerated, Amos Basaza, general manager of state-owned Kilembe Mines, says he is reassured by the recent build-up of Ugandan troops and promises that 3,000 soldiers are to be posted to the area. "These attacks are by splinter groups. I have lived here for 30 years and I don't feel unsafe."

He insists he has no plans to postpone the mine rehabilitation or delay the arrival of expatriate families. "President Museveni has given us his assurance and we are relying on his word. We trust the government to provide our security."

But critics would argue that with the army so far clearly unable to master the situation, political and financial considerations are being allowed to triumph over commonsense. A lot is at stake at Kilembe, perhaps too much to encourage prudence.

Under discussion since the 1982 closure, the $110m Kilembe scheme represents the biggest single foreign investment in Uganda. It has been a project close to the heart of a succession of Ugandan governments.

Apart from the cobalt processing plant being funded by French mining company La Source, which is expected to yield 1,000 tonnes a year of cobalt, there are plans to set up a hydro-electric power station, a foundry providing spare parts for the whole western region and a limestone quarry. These are backed by grants and soft loans from the European Union and North Korea.

Experts estimate it will take up to 14 years to exhaust the tailings. If the mine itself is judged worth rehabilitating, it will give the project a further lease of life. That would vindicate the government's decision to keep 700 staff on after closure, pumping water out of the shafts and maintaining the mine so that it could swiftly be reopened.

The project, which dovetails with plans to repair the dilapidated railway that used to transport ore from Kasese to Kampala, would provide the south-west with much needed employment, power and prosperity. Such considerations, say those abandoning Kilembe, are in danger of blinding those involved to the potential risks.

"The expatriates at the mine have a completely different vision of the situation," says a development worker. "They are talking to the politicians and of course the politicians want them to stay. We talk to the villagers who don't dare live in the mountains any more and have moved to the valley."

The dilemma at Kilembe highlights the way in which Mr Kabila's failure to establish law and order in his border regions following the overturn of the late President Mobutu Sese Seko's corrupt regime risks tarnishing one of Africa's most impressive economic recovery stories.

The insurgency in the southwest, combined with the continuing battle against the Sudanese-backed Lord's Resistance Army in the north, is obliging the Ugandan government to spend 20 per cent of its annual budget on a 50,000-strong army.

Despite military training and equipment from the US, which makes no bones of its determination to stand by an African ally under attack, the defence spending puts a heavy strain on an economy which has still to restore living standards touched in the 1970s, before the disastrous presidency of Idi Amin.

"In the latest budget, which was a very severe one, military spending was the only thing that wasn't cut," says a diplomat. "It's something the Ugandan government can cope with, but it's a drain."

On the darkside of the Mountains of the Moon: rebels may lurk but riches beneath the soil still lure miners

Growth rates, which peaked at 10 per cent in 1995, are expected to fall to a disappointing 5 per cent this year and Uganda's finance minister has publicly hailed next year as the toughest in a decade. "We are currently besieged by acts of God and greater turbulence ahead," he told parliament, citing the insurgencies as a troubling cost.

Anxious not to announce the end to Uganda's economic rebirth, development officials prefer to blame the flattening of the country's growth curve on low coffee prices, drought and infrastructural weaknesses – problems easier to shrug off in the long term than an insurgency.

"But it's obvious that whatever you spend on the military, the less you spend on other things," acknowledges one.

NEWS DIGEST

Brazzaville victory claim

Denis Sassou Nguesso, former Marxist military ruler in Congo Brazzaville, yesterday proclaimed victory in the country's civil war, saying his forces controlled most of the oil-producing former French colony.

Mr Sassou told Radio France Internationale his forces had total control of Brazzaville and Pointe Noire, the political and economic capitals, and that both were calm.

Mr Sassou, whose four-month power struggle with President Pascal Lissouba has killed thousands of people in Brazzaville, said he planned to set up a government of national unity to rebuild the country.

Mr Lissouba, whose forces fled the capital Brazzaville on Tuesday in the face of a determined onslaught by Mr Sassou's Cobra militia, told French radio he was still in the Congo Republic and still considered himself president.

French oil group Elf Aquitaine, the main operator in the Atlantic off the oil-producing former French colony, said it had suspended activity at its Djeno terminal in the south of Pointe Noire after it was occupied by soldiers.

Reuters, Brazzaville

■ IRAQ SANCTIONS

UN to consider new measures

Britain is expected to submit a formal resolution in the United Nations Security Council today to condemn Iraq's obstruction of UN weapons inspections and possibly include new punitive measures.

The Council met behind closed doors yesterday to hear a report, his first since becoming head of the UN inspection team, by Richard Butler, former chief delegate of Australia, and another by Hans Blix, director general of the International Atomic Energy Agency.

While the possibility of Iraq's developing a nuclear arsenal has receded, Mr Butler is concerned that Baghdad is concealing substantial biological and chemical weapons capabilities.

The resolution under preparation by Sir John Weston, the UK delegate, would again call on Iraq to "come clean" on its missile, biological and chemical weapons programmes and allow full scrutiny by the UN commission set up to ensure elimination of Iraqi weapons of mass destruction.

Michael Littlejohns, New York

NEWS: THE AMERICAS

Clinton hails role of ally Argentina

By Andrea Campbell in Buenos Aires

US President Bill Clinton yesterday praised Argentina's contributions to United Nations international peacekeeping efforts and announced plans to give Argentina "Major non-Nato Ally" status during the third leg of a three-country tour of South America.

"Argentina has answered the call to peace," said Mr Clinton during a homage to the Argentine general and South American liberator, Jose de San Martin, "and the United States and all those whom you have helped around the world owe Argentina a great debt of gratitude."

The first Latin American country to receive the distinction, which means it will be easier for Argentina to receive weapons from the US, putting the country on a similar footing as Israel, Egypt and Japan. Meanwhile Chile has expressed the fear that such a move could upset the strategic balance in the region.

The move is expected to be approved by the US congress in November. Under the presidency of Carlos Menem, Argentina was the only Latin American country to send armed forces to the Gulf war as well as to Haiti and more than a dozen other peacekeeping missions.

This came after years of anti-American sentiment and a policy of neutrality.

The alignment with the US on foreign policy issues marks a high point in bilateral relations in which Argentina has been described as one of the US's closest allies.

The closer ties, dubbed "carnal relations" by Argentine minister of foreign affairs Guido Di Tella, has also been characterised by clear support of the US policy toward Cuba, cemented by President Menem's critical stance of the Castro regime.

Survey finds that few are in fear of a sharp downturn in equity prices

Small investors as bullish as ever

By John Authers in New York

Choppy conditions on the US equity markets since early August have failed to dent private investors' confidence, according to the latest survey of investor optimism by Gallup and Paine Webber.

Instead, investors' outlook at the end of last month was considerably more bullish than it had been in July.

The figures follow estimates from the Investment Company Institute, the main trade association for mutual funds, which showed that net flows of cash into equity mutual funds returned to near record levels at $21bn last month, following a brief dip to $13.9bn during August, when most leading stock indices declined.

Widespread publicity for this weekend's tenth anniversary of the 1987 "Black Monday" crash appears not to have had any impact on small investors's sentiment.

Gallup also found continuing evidence of ignorance, and unrealistic expectations.

In particular, investors did not appear to appreciate the difference in the level of risk posed by equities and other securities, ratings futures and commodities at 6.6 and 6.4 respectively on a 10-point scale of risk, while US equities were accorded 6.0.

More alarmingly, while the US equity market as a whole was accorded a risk rating of 6.0 on this basis, mutual funds investing in US equities were accorded a rating of 5.0 – a finding which Paine Webber officials described as showing a "total disconnect".

According to Joseph Grano, president of Paine Webber: "The index suggests that many investors are unknowingly assuming a significant degree of financial risk. A combination of factors, including broad investor education initiatives and greater access to financial information has contributed to investor perception that markets are safer then ever."

The majority of investors said they did not need "high risk" investments to achieve a satisfactory annual return, which they defined as between 10 and 15 per cent – historically a highly ambitious target. Its overall optimism index, set at 100 immediately before the presidential election last November, rose 22 points compared with June and now stands at 141.

The survey also found continuing evidence of a "gender gap," with men far more likely to be bullish about investment prospects than women. Men's optimism was 30 points higher on average than women's although this gap had narrowed since June, when it stood at 42 points.

Mary Farrell, Paine Webber's chief equity strategist, said the gap was narrowing, and suggested that the effect was also generational, with older women far more likely to be financially conservative.

Large investors, with more than $100,000 in total investments, were more likely to be bullish, with their optimism increasing by 27 per cent, as opposed to a 12 per cent increase during the month for those with smaller portfolios.

Gallup interviewed 1,007 investors randomly chosen across the US at the end of last month. All those interviewed headed households with savings and investments of at least $10,000 – a level attained by about one third of US families. The survey thus pre-dated last week's congressional testimony by Alan Greenspan, the chairman of the Federal Reserve, which led to sharp falls on both equity and bond markets.

Washington's odd couple look to Nato

Enlargement is being pushed by unlikely relationship between Madeleine Albright and Jesse Helms

The US administration may be licking its wounds from some recent disappointments in Congress over trade issues but it can still take comfort from one important political asset.

The unlikely relationship between Madeleine Albright, the secretary of state, and Jesse Helms, the ultra-conservative chairman of the Senate foreign relations committee, is looking as robust, and productive, as ever.

Mr Helms, who has never been known for gratuitous altruism, is going out of his way to help Mrs Albright by putting the ratification of Nato enlargement – one of the hardest tests facing the administration – on the swiftest possible legislative track.

Mrs Albright, in return, has presented the expansion project in terms that are carefully calculated to please the senator.

In sharp contrast with much of the rhetoric heard at recent alliance meetings – which focuses on the transformation of Nato into an instrument for long-distance peacekeeping – she has been saying that the bloc's main function remains the defence of its members' territory.

She has also assured conservative Republicans that Nato's partnership with Russia – sealed in part to assuage Moscow's fear of the enlargement process – will not require the alliance to sacrifice independence or give away secrets.

Mrs Albright also departed from conventional, post-cold war wisdom far enough to say that nobody could rule out the resurgence of a Russian threat to Nato.

Most important of all, in terms of domestic US politics, she promised faithfully to make sure that west European allies paid their fair share of the cost of widening the alliance, which the Pentagon has estimated at $27bn-$35bn over 10 years.

Senator Helms duly pronounced himself "very encouraged" by these assurances, and said they augured well for ratification of the expansion project early next year - as long as the cost issue could be solved.

Relatively fast approval for Nato's embrace of Poland, Hungary and the Czech Republic could give the administration breathing space to prepare for its next European policy hurdle: persuading Congress to accept maintenance of some US troops in Bosnia after next June's withdrawal deadline.

Albright and Helms: working together on Nato enlargement

The longer the Nato debate drags on, the greater the danger it will take place in an atmosphere poisoned by transatlantic bickering over how responsibility for peacekeeping in ex-Yugoslavia should be divided.

Conservative Republicans, who generally view peacekeeping as a distraction from the army's real job of readiness for major war, were deeply reluctant to send ground troops to Bosnia. Many are insisting that they will not allow the deployment to be extended.

But after various moves by Congress to tie the administration's hands by blocking funds for further Bosnia peacekeeping, it was agreed President Clinton would be given a chance next May to make the case for maintaining a ground presence. Significantly, Mr Helms, until recently a zealous advocate of dealing with the Bosnian problem through arms supplies rather than peacekeepers, is not ruling out extended US deployment.

While the benefits of her partnership with Mr Helms – sealed by a huge charm offensive and some old-fashioned flirtation – may be plain enough to Mrs Albright, European observers wonder how high a price the senator will extract.

Even on the issue of Nato enlargement, where there is broad consensus on the objective, some sharp differences of emphasis exist between US and European thinking, which will be harder to resolve if Mr Helms is given more weight.

While conservative Republicans suspect the cost of enlargement to the US taxpayer will be larger than the administration is admitting and feel intensely suspicious of European shirking, many European politicians have the opposite perspective.

John Reid, UK armed forces minister, said in Washington this week most estimates of the cost of enlargement were much too high, and based on the false premise that Nato's new members would need to spend heavily on rearming themselves. Estimates of a huge incremental cost failed to take account of several factors, he argued: the fact that some modernisation of Nato's infrastructure would be happening anyway, and the general downsizing of defence that a more stable Europe will permit.

While transatlantic squabbles over defence spending may eventually be finessed, the consequences for transatlantic ties will be more serious if Mr Helms demands concessions from Mrs Albright in other areas close to his heart – such as Cuba.

In a recent letter to the secretary of state which also conveyed warm personal wishes, the senator took the State Department to task for failing to put into practice his brainchild, the Helms-Burton law, aimed at penalising trade with Cuba.

He asked to see any documents that would throw light on the administration's failure to apply provisions in the law which could bar from US territory executives of EU companies dealing with Cuba. But European diplomats say their best hope is that pressure from Mr Helms for a tougher line against the EU will be outweighed by another domestic lobby: the US corporations which are increasingly vocal in expressing their fears of a transatlantic trade war.

Bruce Clark

Consumer prices rise by just 0.2%

By Mark Suzman in Washington

US consumer prices rose just 0.2 per cent last month, providing further evidence that the economy is managing to maintain its combination of strong growth with modest inflation.

Despite a big increase in energy prices, falling entertainment costs helped keep the overall consumer price increase for September below market expectations of a 0.3 per cent rise.

Department of Labor figures showed annualised inflation for the first nine months of the year at 1.8 per cent compared with 3.3 per cent for all of 1996.

The report is likely to damp recent fears on financial markets that the US economy is about to come under increased inflationary pressure. On Wall Street, analysts had expected both the overall consumer price index and the core rate to increase 0.3 per cent in September.

Analysts said the modest price rise also reduced the chance that the Federal Reserve would increase interest rates at its next Open Market Committee meeting in November. Alan Greenspan, Fed chairman, warned last week that the current pace of economic growth was unsustainable and could force increases in wages, triggering higher inflation.

"Current price performance is unprecedented: inflation has never been so low so far into an expansion," said Bruce Steinberg, chief economist at Merrill Lynch, the New York investment bank. "Given the performance we expect the Fed to remain on hold."

Energy prices showed the sharpest sectoral increase, up 1.3 per cent on the month, but food prices rose only 0.1 per cent, as vegetable prices dropped 0.9 per cent and coffee fell 0.5 per cent.

CONTRACTS & TENDERS

ANNOUNCEMENT FROM PRIVATIZATION ADMINISTRATION PRIME MINISTRY, REPUBLIC OF TURKEY

1. Privatization Administration, Prime Ministry, the Republic of Turkey (Administration), shall privatize public share in **Konya Krom Magnezit Tuğla San. ve Tic. A.Ş.** on the basis of the Law No. 4046 through block sale method.

Company whose shares are put on sale	Paid up Capital (TL)	Public Share %	Collateral (TL)
Konya Krom Magnezit Tuğla San. ve Tic. A.Ş.	480.000.000.000	100	50.000.000.000

2. Tender shall be performed by the bargaining method consisting of receiving the bids in closed envelopes and negotiations afterwards. In case Tender Commission deems so necessary, the tender might be finalized by open auction method through participation of Bidders with which bargaining negotiations are continued.

3. Specifications for Tender and Promotion Document issued for the Company may be obtained, against TL 15.000.000.- (fifteen million), from the address of the Administration stated below. Specifications for Tender and Promotion Document must be obtained in order to participate in the Tender concerned.

4. Bids shall be prepared in consideration with terms and conditions stated in the specifications for Tender and Promotion Document, and submitted to the address of the Administration stated below not later than 7 November 1997 by 17:00 hours. Bids which shall be delivered to the Administration after the latest date and time of bidding will not be considered.

5. Administration is not subject to the Law on State Tenders No. 2886, and it is free whether or not to execute the tender or to award the tender on anybody it deems so or to extend the period granted for bidding.

REPUBLIC OF TURKEY
PRIME MINISTRY
PRIVATIZATION
ADMINISTRATION

Hüseyin Rahmi Gürpınar Sokak No. 2 Çankaya 06680 ANKARA/TURKEY Tel: (90-312) 441 15 00

PUBLIC NOTICES

Notice
Insurance Brokers International Limited (In Liquidation)

On 16 November 1992 the Society of Lloyd's crystallised the floating charge it holds over the insurance transaction assets of Insurance Brokers International Limited under the Lloyd's Brokers' Security and Trust Deed executed by that company on 13 September 1989.

Any person claiming to be an insurance transaction creditor of Insurance Brokers International Limited should, if they have not already done, so send full particulars of the sums sums which they claim to be due to them by December 1997 to either the Manager.Lloyd's Brokers Department, Lloyd's, One Lime Street, London EC3M 7HA or to C J Barlow, Joint Liquidator of Insurance Brokers International Limited, c/o Coopers & Lybrand, Plumtree Court, London EC4A 4HT

Dated: 17 October 1997

M.I.M. Holdings Limited
ACN 009 814 019
410 Ann Street, Brisbane Queensland 4000 Australia

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of MIM Holdings Limited will be held at the Sheraton Brisbane Hotel, 249 Turbot Street, Brisbane, Queensland on Thursday, 13 November, 1997 at 10.00 am.

ORDINARY BUSINESS

1. Receipt and consideration of reports and financial statements for the financial year ended 30 June 1997.
2. Election of Directors in accordance with the articles.

By order of the Board
D.M.Munro
Secretary and General Counsel
Brisbane, 17 October, 1997

BUSINESSES FOR SALE

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982
THE IRON TRADES EMPLOYERS INSURANCE ASSOCIATION LIMITED
TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that The Iron Trades Employers Insurance Association Limited (the "Association") applied to the Secretary of State for Trade and Industry (the "Secretary of State") on 10th October, 1997 for her approval, pursuant to Part II of Schedule 2C ("Schedule 2C") to the Insurance Companies Act 1982 (the "Act"), to transfer (the "Transfer") to Iron Trades Holdings Limited ("Holdings"), a wholly-owned subsidiary of the Association, all of its rights and obligations under all policies of insurance whatsoever written by the Association whether as insurer or reinsurer or for which the Association is liable for any other reason whatsoever, which policies are comprised within the term "general insurance business" as defined in section 1 of the Act, including, without limitation, all policies in respect of:
   (A) accident;
   (B) sickness; and
   (C) general liability, comprising employers' liability and public liability,

   but excluding any EEA Policy (as such term is defined below) (being together the "Policies") with such transfer being on the terms and conditions set out in a business transfer agreement to be entered into between the Association and Holdings and the instrument of transfer to be entered into between them, in either case as the same may be amended from time to time.
2. The transfer of all the Policies is conditional upon:
   (A) the authorisation of Holdings to carry on general insurance business in the United Kingdom in classes 1, 2 and 13 as set out in Part I of Schedule 2 to the Act;
   (B) the receipt of the approval of the Transfer by the Secretary of State for Trade and Industry; and
   (C) the receipt of the agreement (in form and substance satisfactory to Holdings) of the relevant reinsurers to the extension or novation of certain of the reinsurance arrangements relating to the Association to cover Holdings (but subject to the directors (or a duly authorised committee) waiving this condition if and to the extent that this is thought appropriate).
3. Copies of the statement of particulars of the Transfer are available for inspection at the offices of The Iron Trades Employers Association Limited at 21/24 Grosvenor Place, London SW1X 7JA and may be inspected between 9.00 am and 5.00 pm on business days until 17th November, 1997.
4. Written representations concerning the Transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Directorate, 1 Victoria Street, London, SW1H 0ET before 16th December, 1997. The Secretary of State will determine the application only after considering any representations made to her before that date.
5. The term "EEA Policy" means a policy which evidences a contract of direct insurance under which any of the risk covered under such policy is situated in an EEA State other than the United Kingdom (whether or not such policy also covers risk in the United Kingdom or any other country which is not an EEA State). The term "EEA State" has the meaning given to it in the Act. The term "direct insurance" has the meaning given to it in the Act.

Date: 17th October, 1997

Government hopes for European agreement to put restrictions in place more quickly

Bill to ban tobacco adverts postponed

By Nicholas Timmins in London

The government has postponed until the new year its planned white paper and draft bill banning tobacco advertising and sponsorship in the hope that a Europe-wide ban will be agreed when the council of health ministers meets on December 4.

Agreement then on the European Union's draft directive could allow the government to act more quickly through secondary legislation, ministers believe – avoiding the need to put a full bill through parliament next year.

Luxembourg, which holds the EU presidency, has tabled an amended text which meets key UK objections to the draft directive. For example, it would allow at least a five-year grace period for a ban on sponsorship to be fully implemented – Frank Dobson, the health secretary, having promised sport and the arts "time and help" to wean themselves off tobacco cash.

At the same, discussions have already begun between ministries in the Netherlands which could see the Dutch switch sides to back a ban in December, according to health ministry officials in Amsterdam.

They say the discussions follow contacts between Tessa Jowell, the public health minister, and Els Borst, her Dutch counterpart.

So far the Netherlands, Germany, Denmark and Greece, along with the UK under the Conservatives, have blocked the directive. If the UK moves, the Dutch vote would decide whether the directive went through.

That, however, assumes that other member states hold their current positions. Tobacco lobbyists in Brussels believe countries such as Belgium and Spain, who to date have backed the directive, may switch sides and oppose it as detailed negotiation on the texts intensifies.

One said: "It is not clear that the UK has appreciated that there is more to getting this through than just the UK changing sides."

Nonetheless, senior department of health insiders say the December 4 meeting will now be "a defining stage in shaping our white paper".

Previously the government had promised a white paper and draft bill this autumn. Legislation, however, would be unlikely to be introduced before next autumn at the earliest.

One senior figure in the health department said: "If the directive is agreed in December, it could be back and approved by the European parliament within about nine months. We could then implement a ban through secondary legislation, without the need for full bill."

If the meeting fails to reach agreement, the UK is likely to push hard for the directive when it takes over the EU presidency in January.

Postponement of the white paper does not indicate any weakening of the government's resolve, health department officials insist.

"This is simply a pragmatic approach aimed at achieving the best result most quickly," one said.

UK NEWS DIGEST

Party funding review launched

Tony Blair, the Labour prime minister, yesterday paved the way for ending the party's financial dependence on the trade union movement by launching a review of party funding which is expected to set ceilings for general election spending. "This is a significant moment in Labour's history," said a minister. "If spending limits are set at reasonable levels, it makes it far easier for us to cut the umbilical cord [with the unions]."

The review of party funding will be carried out by the committee on standards in public life, set up by the former Conservative administration to make recommendations on reform of parliament. John Major, the former prime minister, excluded party funding from the remit of the committee, whose chairman, Lord Nolan, is retiring. Mr Blair announced yesterday that Lord Nolan will be succeeded by Sir Patrick Neill, a former vice-chancellor of Oxford University. Sir Patrick implied yesterday that he was opposed to full state funding of parties, saying the requirement to solicit donations put pressure on parties to stay "in tune" with the public. *Robert Peston*

■ COMPETITION POLICY

Cost of reforms may reach $23m

The government yesterday said complying with its planned reforms of competition policy could cost business much more than estimated. Ministers are considering revising the legislation to help reduce the burden. The one-off cost of meeting the new law could be as high as £14.3m ($23.1m), according to the bill, published yesterday. Annual costs could reach £4.4m. The estimates compare with maximum figures for one-off costs of £1.5m and recurring annual costs of £2.6m in the draft bill published less than three months ago. *Stefan Wagstyl*

■ PERSONAL SAVINGS

Speculators face crackdown

Nationwide, the UK's biggest remaining building society (a mutually owned savings and loans institution), yesterday cracked down on speculators, saying all new members would have to give any conversion windfalls to charity. It is the most dramatic attempt yet to stop speculators opening accounts purely to get a payout if a society converts into a bank or is offered on the stock market. Most societies have deterred such speculation by keeping high opening balances on accounts and occasionally suspending account openings altogether.

Brian Davis, chief executive, insisted the society was "extremely unlikely" to convert but said the move was necessary to enable Nationwide "to compete" without constant disruption to its business caused by speculators opening accounts. *Christopher Brown-Humes*

■ ELECTRICITY

Regulator predicts 6% price cuts

The UK's 25m retail consumers of electricity will be £24 ($39) better off in the first two years of retail competition under final proposals unveiled yesterday by Stephen Littlechild, the industry regulator. The plans were criticised by electricity companies, which warned of serious consequences for the coal industry, but were welcomed by consumer groups and unions. From next April consumers will be able to choose their supplier. But prices will remain regulated for the first two years of the new market's operation. Prof Littlechild said he expected retail prices to fall by 6 per cent in real terms in the first year (1998-99) of the market, and by a further 3 per cent in real terms in the year after. *Simon Holberton*

■ INCOME LEVELS

Rich-poor gap narrows marginally

After 15 years in which the gap between rich and poor widened more dramatically than in almost any other industrialised country, the UK has become a marginally more equal society since 1990. The latest official figures show that in 1979 the poorest 10 per cent enjoyed just 4.4 per cent of total income. By 1990, that share had fallen by more than a quarter to 3.2 per cent. The share taken by the top 10 per cent had risen from 20 to 25 per cent. Since 1990, however, the gap has narrowed marginally, the poorest tenth seeing their share of total income rise from 3.2 to 3.5 per cent by the spring of last year, while the share taken by the richest tenth declined from, 25 to 24 per cent. The change still leaves the bottom 30 per cent worse off, relatively, than they were in 1979 and the top 30 per cent much better off. *Nicholas Timmins*

■ INDUSTRIAL RELATIONS

Bank staff take action over pay

Widespread disruption of Barclays Bank branches in the UK is expected today and Monday, according to trade unions representing just over half the bank's 60,000 staff. They are launching an indefinite rolling programme of industrial action in protest at what they claim is a pay and pension freeze. The bank said yesterday most staff were expected to be working normally although there may be some disruption in a few areas. *Robert Taylor*

Service exports up as pound hits manufacturers

By Richard Adams in London and Sheila Jones in Manchester

UK manufacturers are "bearing the scars" of sterling's strength but services exports continue to rise, the latest survey of UK companies showed yesterday.

In its quarterly survey of 8,000 companies, the British Chambers of Commerce said the majority of manufacturers have seen falls in both overseas orders and sales for the first time in five years. Export orders are at their lowest since 1991, when sterling was overvalued in the European exchange rate mechanism.

Mr David Richardson, BCC chairman, blamed the sharp rise in the pound since last year for the fall in exports. "We've been saying for a long time that the exchange rate is too high, and that is now damaging the manufacturing sector," he said.

The BCC has called on the government to make a commitment to joining the European single currency at a sustainable rate, even as high as DM2.85. Sterling closed against the D-Mark at DM2.8265 yesterday. Mr Ian Peters, the BCC's deputy-director, said: "The critical issue about the pound's entry into a single currency is stability."

But while a balance of 11 per cent of manufacturers reported lower export orders, large service sector exporters increased their overseas sales and orders in the third quarter of this year.

The BCC surveyed 3,200 manufacturing companies and 4700 service companies. More than 2000 of the manufacturers were exporters, compared with 1400 in the service sector.

Most UK regions had falling manufacturing exports. In the north-west, one in three said export sales were down. Robert Hough, chairman of the North-West Chambers of Commerce, said: "There is now a significant knock-on effect as many stretched exporters are reducing business with their home suppliers."

The survey seems to confirm that the economy's pace of growth is slowing, with dips in domestic sales and profitability expectations. The service sector continues to outpace manufacturing, with a balance of 31 per cent reporting higher UK orders, compared with 11 per cent of manufacturers.

The survey backs up official inflation and labour market data. A majority of businesses report difficulties recruiting staff and a record number of service companies are investing in training.

There are few signs of upward pressure on prices. One in three manufacturers say they are concerned about competition from imports made cheaper by the rise in sterling.

The Bank of England's Monetary Policy Committee has been concerned that official trade figures may understate UK imports. If so, it would explain the gap between recent strong retail sales and weaker UK manufacturing output.

● Government borrowing continues lower than forecast. Halfway through the financial year, the cumulative Public Sector Borrowing Requirement is £8.6bn, the Treasury said, £7.1bn down on the same 1996-97 period.

Brendan Corr

The Spice Girls dolls were unveiled yesterday at the British Association of Toy Retailers' fair. The 30cm figures, personally approved by the famous five right down to their tattoos, are expected to be the best-selling toys this Christmas

Blair intervenes in royal tour row

By George Parker in London

Tony Blair, the UK premier, yesterday ordered ministers to proclaim the "success stories" of the Queen's trouble-strewn tour of India and Pakistan.

The prime minister's office said "a major effort of communication" was needed to persuade people that the royal tour had bolstered Anglo-Indian relations and trade.

Robin Cook, the foreign secretary, was at the forefront of the public relations drive, claiming the Queen had received a warm welcome in India and that the tour had helped to drum up trade for British companies.

But a Buckingham Palace spokesman in India sought to shield the Queen from the controversy surrounding the trip, suggesting that any problems were the responsibility of the Foreign Office.

The tour has been bedevilled by diplomatic setbacks, culminating in the Queen being asked by the Indian government to cancel a planned toast at a banquet in Madras last night because it breached Indian protocol.

Earlier, the Indian government reacted angrily to reports that Mr Cook had privately suggested that Britain might mediate in the Indo-Pakistani dispute over Kashmir. The Queen also urged India and Pakistan to "end historic disagreements".

"I personally believe it was not necessary for Mr Cook to talk about Kashmir on the eve of the Queen's visit to India because it certainly overshadowed the trip," said Jayanthi Natarajan, minister for civil aviation and parliamentary affairs.

Mr Cook said: "We're not pestering India over Kashmir. Throughout the entire trip, neither in Islamabad nor in Delhi did I make any public statement on the issue of Kashmir."

Anglo-Indian tensions were fuelled by remarks attributed to Inder Kumar Gujral, the Indian prime minister, that Britain was "a third-rate power", which had presumed to believe it had an historical obligation to solve the Kashmir problem.

In an attempt to calm the dispute – and to prevent it tarnishing the government's surefooted reputation in foreign affairs – Mr Blair yesterday told the cabinet to trumpet the royal tour's successes. Mr Cook pointed out that the Queen opened a large trade exhibition in New Delhi on Wednesday, which the government hopes will give a boost to British trade in India. However, senior government officials admitted that media relations on the tour had been poor, and that in future it might be wise for Mr Cook to be accompanied by a press officer.

Unit trust may move offshore

By Jonathan Guthrie in London

The UK's third-largest unit trust, the £2.6bn ($4.2bn) Institutional Managed Balanced fund could move offshore as a result of tax changes in the last Budget. Its manager Schroder, the country's biggest unit trust manager, recently wrote to unitholders saying that it was reviewing all options for correcting a relative reduction in income resulting from the reforms.

The abolition in July of tax reclaims for pension funds on UK dividends, has created big problems for unit trusts (or mutual funds).

They typically hold UK and foreign shares and bonds, to spread risk. Their distributions, though derived from all these sources, are treated in the same way as UK dividends. As a result of the removal of the tax reclaim, pension fund investors now effectively suffer UK tax on income from bonds and foreign shares held through the trusts. This could be avoided by buying the same investments directly.

The change has reduced the yield on funds such as Institutional Managed Balanced to around a quarter below that from equivalent direct investments.

An industry group that included Schroder representatives has pressed the Inland Revenue to allow unit trusts to "stream" income from different sources. This means each distribution to unitholders would effectively be split in two parts. One would be an element from UK dividends. The other, made up of bonds and foreign share dividends would effectively avoid UK tax.

Schroder said that moving the fund overseas was one of several options it was considering.

Several other managers are also struggling with the problem.

For example Gartmore is considering offering clients a free transfer to its life fund, which operates under insurance regulations and can stream income from different sources.

The London Stock Exchange introduces its order-driven trading system on Monday. **George Graham** reports

Second Big Bang completes automation of market

The introduction of an electronic order book is the second step of a transformation the London Stock Exchange began with the Big Bang reforms of 1986.

Then, London replaced the old blackboards of the stock exchange floor with computer screens on which marketmakers quoted their buying and selling prices. Deals were still struck over the telephone, however, after much negotiation.

The new order book will complete the automation, bringing London more closely into line with other international exchanges.

With the partial exceptions of the Netherlands and the US Nasdaq market, most other big exchanges use a form of order-driven trading, rather than London's quote-driven system.

IT vendors have been battling to provide brokers with links to the stock exchange system. Royalblue has supplied systems for many of the biggest brokers who have opted for a direct link between their own computers and the exchange's. Datastream/ICV claims 143 connections for its Topic3Trader system, while Reuters has 64 clients using its LXT as their primary system, and more who have chosen it as a back up.

The London market has proved that it can absorb very big orders without moving the share price. On the other hand, dealing costs are high, because marketmakers need to make a return on the capital they put at risk to deal with their clients. The spread between the best buying and selling prices at any time tends to average 0.6 per cent, the highest of any big market. In France, Germany, Italy and Spain, all of which have electronic order books, spreads average 0.1-0.15 per cent.

A study by brokers Credit Lyonnais Laing argues that the average spread on the new order book, known formally as the Stock Exchange Electronic Trading Service, or Sets, will drop to around 0.2 per cent.

While spreads are expected to drop, so too are commissions. Simply entering an order on the book on behalf of a client is not a service for which investors will be willing to pay highly. Institutions are still working out how they will then reward the brokers whose research they value.

One of the biggest uncertainties is how much volume will flow through the order book. The system allows orders only for more than 1,000 shares – or 500 if the share price is over £5 ($8.10) – and only for standard settlement terms. That rules out many small or individual shareholders, whose orders are likely to be routed through a retail service provider.

But big clients will not use the order book for all their trades. They can either give an order to a broker to work it slowly through the system, in order to get the best price without disturbing the market, or they can ask a broker to put his own capital at risk to quote a fixed price for a whole block of shares.

Initially, many institutions are expected to rely on block trading, because it is closer to the current quote-driven system of trading.

Block trades will not be required to take out orders sitting on the order book at the same price or better, as some continental European exchanges require. However, they must be published immediately.

The exception to the immediate publication rule is the "worked principal agreements", in which a broker guarantees a price for a client but undertakes to try to improve that price by working the trade through the market. Worked principal agreements must be for at least eight times normal market size – fixed for each stock by the exchange – and must be published when they have been completed or at the end of the day.

Lunch is safe but lifestyles face change

When the first Big Bang struck the London Stock Exchange in 1986, City restaurateurs were devastated. The transfer of trading from the exchange floor to the screen and telephone wrought havoc with the stockbrokers' traditional leisurely lunches.

The new electronic order book, which starts on Monday, will not have such far-reaching lifestyle implications for London equity traders, but it will still require adjustments to old habits.

The order book will open at 8am for orders to be added or deleted, but no trades will be executed until 8.30am, when the market opens.

During the order-entry period the best buy price may be higher than the best sell price. If it is, the exchange will automatically calculate the "uncrossing price" at 8.30am, using an algorithm to determine the price which will allow the maximum number of shares to be traded.

In normal trading hours, from 8.30am to 4.30pm, the exchange's system will look at each incoming order and try to match it against an order already on the book. If a match is found, the order will be executed automatically.

Orders will be executed first of all by order of price, and then, if more than one order is entered at the same price, by the time each order was entered.

Trading in a share may be halted if the exchange believes there is a "disorderly market", for example, because unpublished price sensitive information has leaked out.

Trading will also be automatically suspended for 10 minutes if the price of a share moves by 10 per cent or more from its price on opening.

The market will close at 4.30pm, but the system will stay open for another half hour of housekeeping, during which brokers may delete orders left unfulfilled.

There are four types of order:

● Limit orders can be entered by investors who are ready to wait for their order to be executed.

● Fill or kill orders will be executed immediately if they match an order already on the book, but if they cannot be satisfied in full, they will be deleted.

● Execute or eliminate orders may be executed in part.

● At best orders simply specify the number of shares sought, and will be executed at whatever price is available on the order book. At best orders are potentially dangerous, since the investor could end up being bitten by a "snake in the grass" order entered at a ridiculous price. Some brokers have banned dealers from using at best orders.

FRIDAY OCTOBER 17

funding
w launched

ON POLICY
forms may reach

SAVINGS
s face crackdown

redicts 6% price

p narrows margin

ke action over pay

Graham reports
market

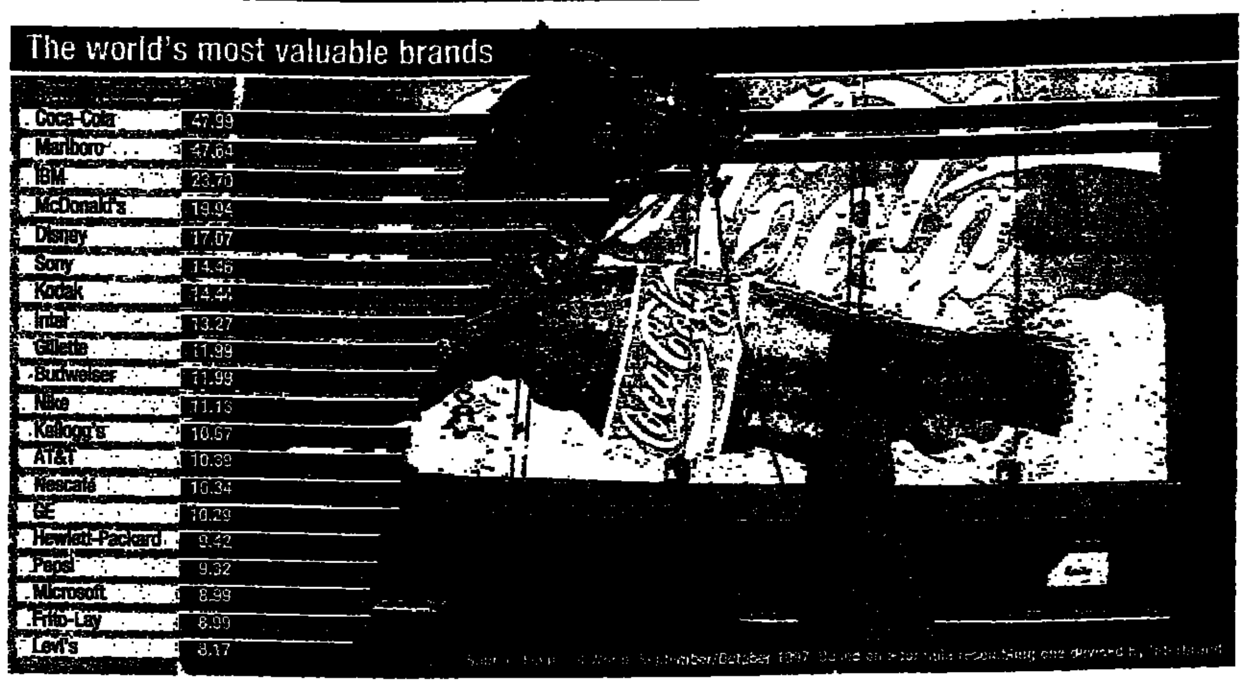
PART SIX OF A 12-PART SERIES • PUBLISHED ON WEDNESDAYS AND FRIDAYS

THE GLOBAL COMPANY

Marketing Managing global brands

Shimmering symbols of the modern age

Brands seek to capture both the hearts and minds of consumers and are central to the concept of the global company, writes John Willman



They are universal icons. Recognised the world over, they sell everything from cola to cars.

They have a powerful pull on consumers in cosmopolitan cities such as New York and São Paulo. And they touch the lives of people living in remote rural communities across the globe.

But global brands are about much more than logos and advertising campaigns, according to Brian Boylan, chairman of Wolff Olins, a consultancy specialising in branding and corporate identity.

They are central to the idea of a global company.

"There are too many businesses out there doing the same things," he says. "Global branding is a way of saying your company makes a difference, which moves you up the pecking order."

Companies such as Coca-Cola, McDonald's, Walt Disney, Sony, Body Shop and Mercedes-Benz have become world leaders through the strength of their brands. By becoming synonymous with their products, they almost own their categories.

Others such as PepsiCo, Danone and Nestlé – powerful corporate brands in their own right – have done the same by branding particular products. Doritos tortilla chips, Evian mineral water and Nescafé instant coffee are the household names that competitors strive to beat. Strong brands bring other advantages, not least in cost-savings. Frito-Lay, PepsiCo's snack food division, is introducing Doritos across Europe with packaging that looks the same in every market and is marketed in the same way.

"We have a good idea of the marketing mix that works," says Martin Glenn, commercial vice-president for Frito-Lay in Europe, Middle East and Africa. "People differ in the way they eat snacks... But tastes around the world are similar and we've learnt the key thing is to get people to try them."

A well-established brand name can broaden a company's ambitions, allowing it to introduce new products or move into new markets. Walt Disney has stretched its brand well beyond films to cover books, clothing, toys, games and holidays.

"People don't have to pay 30 per cent more for a Disney T-shirt," says Raymond Perrier, brand evaluation director for Interbrand, the leading brand consultancy. "But they do so because the brand means more to them than just a T-shirt – it embodies the Disney magic."

Most of the world's most famous brands are in consumer goods and services. But branding is becoming important in supplying businesses, as corporate customers seek the assurance of a global brand for their information technology services, audit and legal services.

"With more choice between suppliers, business customers are looking for consistency and trust," says Mr Perrier. "IBM fell into the trap of just selling computers. Now it realises it needs an ongoing relationship of trust with its customers which a single global brand can help build."

There are circumstances when it makes sense to retain local brands which have strong appeal in their markets. Frito-Lay has adopted just such a strategy for its potato crisp business which has grown by acquiring companies with established brands.

> 'Global branding is a way of saying your company makes a difference, which moves you up the pecking order'

Lay's is the group's global brand, used when entering new markets. Increasingly it is supplanting weak local brands – as in Canada where Hostess was converted to Lay's earlier this year.

Where the company has strong brand equity – in Mexico with Sabritas or the UK where Walkers crisps is the market leader – Frito-Lay will preserve this.

"We're not seeking uniformity for the sake of it," says Martin Glenn. "But we will move towards Lay's design standard with its logo as an element on all packets – a global identity."

Most large companies with diverse consumer products follow similarly diverse branding strategies. Nestlé, for example, has multiple layers of branding. Its dried milk is always sold under the company name and Nescafé is clearly of Nestlé provenance. But the group's Buitoni Italian food products make no mention of the ultimate owner.

"Consumers outside Italy see it as a quintessentially Italian family brand," says Interbrand's Mr Perrier. "They don't want to be reminded that it belongs to a giant Swiss conglomerate."

Even in less diverse businesses where global branding makes sense, attention must be paid to local preferences. McDonald's, selling a US fast-food concept with a consistency that is almost chilling, serves wine and salads with its burgers in France. For the Indian market where beef products are taboo, it created a mutton burger: the Maharaja Mac.

But products must be differentiated still further, says Richard Block, global planning director for J. Walter Thompson, the advertising agency owned by WPP.

"The world is going two ways," he says. "Technology and business are pushing globalisation, but at the same time the world is falling apart into smaller communities."

Young urban professionals in London have more in common with their contemporaries in Singapore than with middle-class families in Berkshire. The latter have more in common with people living in the affluent suburbs of Sydney.

The challenge for marketing professionals is to link their product to individual needs. One way is product proliferation – so that Coca-Cola becomes Classic Coke, Diet Coke and Cherry Cola. Coca-Cola remains the brand, but is delivered by a variety of means.

General Motors has chosen four global brands for its cars, in Saab, Cadillac, Opel and Chevrolet. A single brand could not stretch from the Opel Astra to a performance car such as the Saab 9000 or a luxury saloon like the Cadillac.

Another is to create an idea for a single brand that transcends such differences by identifying it with an attitude rather than a particular lifestyle.

"Good branding is about stirring emotions," says Peter Farnell-Watson, European managing director at Landor Associates, the US branding consultancy. "It sits in people's minds and has an attachment in their hearts."

Thus Nike is much more than a pair of trainers: it is about personal empowerment. Body Shop, the cosmetics retailer, offers ethical consumption in a world where the environment is under threat. And IBM offers solutions for the planet – it is a company that can enhance your business performance.

But establishing just what the big idea is needs to be taken seriously at the highest level in the company.

The companies which have managed their brands best are those led by chief executives who take the keenest interest in branding: Roberto Goizueta at Coca-Cola, Michael Eisner at Disney and Lou Gerstner at IBM.

"Brands are valuable assets which have a massive impact on the way you run your business," says Mr Perrier of Interbrand. "No one would hand a \$20bn (£12.5bn) asset to a 23-year-old in the marketing department – but many companies that aspire to global reach do just that with their brands."

In Wednesday's FT
Global alliances

Fred Hassan of Pharmacia & Upjohn

Luxottica and Parmalat

Own words Peter Brabeck, chief executive, Nestlé

Striking a balance between familiarity and efficiency

Peter Brabeck, 52, took over as Nestlé chief executive in June 1997. He joined Nestlé Austria as a Findus frozen foods salesman in 1968.

At Nestlé our corporate and product brands are our main assets and we have to make sure they are used in the best possible way. At a functional level, considerable gains can be realised in purchasing, fine-tuning production processes and rationalising distribution once a brand has achieved critical mass.

However, there is far more to successful brand leadership than maximising economies of scale – we also need to appeal to the individual consumer's emotional side. Our brands must project a familiar closeness and they cannot do so if they are not in tune with the ethnic, social and religious background of the people who purchase them.

Successful brands are not only big; they are also strong. Their strength comes from daily contact with consumers. The more this contact is perceived as being on a one-to-one basis, the more they will reinforce the inclination to buy a given product again and again. Having established familiarity, the brand moves into a position of trust – the common attribute of all popular brands.

At Nestlé we use two brands on one product. The local, more intimate product might only be familiar and appeal to a small group of consumers. But all of the product brands in a given range are federated under the roof of authoritative, corporate strategic brands such as Nestlé or Nescafé.

So a difficult equilibrium needs to be found between consumer familiarity and marketing efficiency. We regard our brands as "creatures with a soul". They need to be nursed rather than managed to maintain their relationship with our consumers.

This means marketing cannot be a head office activity. In our Vevey headquarters, we can fix the framework and visual identities. We establish a hierarchy in the ranking of brands and the more strategic their character, the deeper our involvement in their positioning, design features and technological development. This is one of the key tasks of our strategic business units.

But giving life to our brands, making them relevant to our consumers is the responsibility of the local management, which enjoys a high degree of autonomy. A decentralised management style ensures closeness to the consumer through familiarity with the local environment.

At a corporate level, we take pride in our brands and have full responsibility for their development, performance and the quality that has been their hallmark for more than 130 years. That is why the majority of our products – whatever their brands – are clearly identified as coming from Nestlé. Our logo provides a "seal of guarantee".

Interview by William Hall

Case study Intel and Yahoo!

Accidental advertising campaigns

Louise Kehoe and **Nick Denton** on the global reach of two companies

Intel, the world's leading chipmaker, and Yahoo!, a start-up that has become the leading internet media group, stumbled into the business of building global brands almost by accident.

For Intel, the lights went on in 1989. An advertising campaign aimed at urging computer manufacturers to switch to its latest microprocessor, the 386, had the surprising side-effect of persuading consumers to ask for 386-based computers.

At the time, says Dennis Carter, Intel vice-president and director of marketing, "I didn't really know what a brand was. But it became evident that we had created a brand and that it made a difference in consumers' purchase plans."

The next step was to brand not merely one product but the whole range, using the now-familiar "Intel inside" logo. Intel launched the campaign in 1991 with its first "co-operative advertising" programme, offering to share the costs of advertising with computer manufacturers that used Intel chips.

Soon after came the first "Intel inside" TV commercial – a journey through the innards of a personal computer, ending up at the microprocessor stamped with Intel's logo. It had become the first semiconductor company to hawk its product to consumers as though it were a new cola.

Intel initially tailored its advertising to different markets. In Japan, for example, the logo read "Intel in it", but was abandoned when the company found the "Intel inside" brand was better recognised because of information from the US. "This really drove home the homogeneity of the global PC market," says Mr Carter.

Since then, its logo has appeared in more than \$3.4bn (£2.1bn) worth of advertising – including spending by PC manufacturers – according to Intel.

In comparison, Yahoo!'s marketing resources are meagre. But the web navigation service has made full use of the global reach of the internet to build its name, relying heavily on users to spread the word.

Yahoo! grew out of a list of favourite web sites maintained by two Stanford University students. Although theirs was one of hundreds of similar hobbyist web guides at the time, it drew followers with its contemporary style and catchy name.

"A big portion of what has got Yahoo! on the map is just great word of mouth," says Karen Edwards, director of brand management. In particular, Yahoo! built a grassroots following among the many newcomers to the internet who regarded the service as a friendly "home base" among the confusion of the web.

Yahoo! also attracted users at minimal cost through strategically placed "hyperlinks" on other web sites, such as the home page of Netscape Communications, the leading supplier of web browser software.

The start-up company demonstrated the potential of the internet for building global brands, a lesson that has not been lost on bigger companies. Even before Yahoo! spent money on traditional advertising, it was attracting users worldwide. Last year it began advertising on television and radio in an attempt to encourage "near surfers" – people not yet online but who are interested in taking the plunge – to use its services.

"When we went out and advertised on television early last year, it was every last penny we had," Ms Edwards recalls. But the move paid off by helping Yahoo! to differentiate itself from a growing band of competitors by achieving broader brand recognition.

Last spring, the group launched its initial public offering providing extra funds for more advertising and expansion of its services. Yahoo! is the most highly valued internet media company, with a market capitalisation of \$2.3bn. An estimated average of 5m computer users go to Yahoo!'s web pages every day.

About 30 per cent of visitors to Yahoo!'s web site are from outside the US and the company has also established web guides aimed at international markets.

Even as Yahoo! is making more use of "old media" to promote its brand name, Intel is moving on to the web. The semiconductor company is among the biggest spenders on the "banner ads" that adorn many web pages.

ARTS

Meeting the challenge of Chopin

Andrew Clark talks to pianist Garrick Ohlsson about his marathon cycle

Garrick Ohlsson: Chopin's music 'is not just dessert'

There were no fewer than three Beethoven sonata cycles in London last season – but where was the complete Chopin? Too many short pieces, too much of it superficial, some of it too difficult, and taken together, too much of a good thing: this is a common perception.

Or misconception. There is a large and eager public for Chopin; and there is one pianist superbly qualified to play it: Garrick Ohlsson. In 1995 he demonstrated the appeal of a Chopin cycle in New York and several other North American cities. Now he is bringing it to Europe. His first instalment is at Salle Gaveau in Paris next Wednesday. The same programme comes to London's Wigmore Hall on Sunday October 26 and the National Philharmonic Hall in Warsaw on November 7. Thereafter Ohlsson will revisit each city at intervals until March to complete a further five programmes.

Ohlsson, 49, won the Chopin Competition in Warsaw in 1970, pipping Mitsuko Uchida and Emanuel Ax to the first prize. It guaranteed him instant recognition in eastern Europe and his native US, but he has only recently begun to stamp his presence on musical capitals in between.

No one who has heard Ohlsson in recital is likely to forget it. He commands just about the biggest sound you can hear today, but uses his power sensitively and poetically. He has an abundant technique. It is the combination of these qualities which makes him a formidable interpreter of Chopin. You may miss the temperament of Argerich, the grandiloquence of Horowitz, the free-and-easy spirit of Rubinstein – but you *will* hear a confidence and eloquence of expression which few contemporaries can equal.

Ohlsson, whose intellect matches his physical size, says the public's enthusiasm for Chopin is rarely satisfied in the concert hall. He cites two reasons, the first being the physical difficulty of the music. "To put it crudely, if you play Beethoven's *Appassionata* moderately well, but not at the level of the great pianists, the big life-and-death issues are still clear. With Chopin, it's a bit like championship ice-skating – the difficulties are often part of the beauty. When he launches a spectacularly brilliant arabesque, if you don't play it really elegantly, with beautiful shape and sound and all the notes in place, it's better not to have it at all."

The second obstacle is the widely-held view that Chopin is little more than a salon composer: all the more reason for doing a complete cycle, because it brings out the serious Chopin alongside the composer who makes people sigh and swoon. "He's not just dessert, not just for providing a nice finishing touch to show how pretty the piano can sound," says Ohlsson. "There's also a slightly dangerous side – a man who really had a volcanic temperament, but was so civilised on the surface. He knows how to present himself in public at all times, even when the emotions are deep and private, because he lets the ear be constantly intrigued and led on by the sound of the music. Sex appeal, if you will."

Ohlsson argues that Chopin looks forward to the 20th century as much as he harks back to the classical era – one reason he was misunderstood by German contemporaries such as Schumann, who hailed him as a revolutionary while failing to recognise the underlying structural links in the music.

"There are moments in the E flat minor Polonaise where Bartók couldn't give you a more bitter pill to swallow. On the other hand, he was the most baroque of the Romantic composers. He worshipped Bach and Mozart, and his music is his way of mixing the two – Bach's colossal human brain and Mozart's unpremeditated inspiration. When you hear the F minor Fantasy or the first Ballade, you never trouble to think 'how did that happen?'. You're just swept along. But when you start taking a cold look at how it was written, it's even more impressive: these are works of stunning complexity and economy of means."

Putting together a couple of all-Chopin recitals is easy enough: dividing the entire solo *oeuvre* into six coherent programmes, each lasting two-and-a-half hours, is a major challenge. Ohlsson wanted a good ending to each half; he also opted to preserve the integrity of each opus number. "It's most clear in the op.41 Mazurkas: each is lovely by itself, but when you hear them together, you say "yes, of course". You don't want too many pieces that trump each other, nor do you want two lots of mazurkas together – it diminishes the pleasure."

As for quality, Ohlsson believes only a handful of pieces fail to make the grade. He cites the first movement of the C minor sonata, written when Chopin was 17. But even the Rondo op.1, with which Ohlsson opens the whole cycle, has its merits: "The personality is already there – the irony, the intellectual sharpness, the cantilena, the pianistic brilliance and that incredible sense of sound."

Quite apart from the fatigue which a Chopin marathon can induce in the under-prepared pianist, there is what Ohlsson describes as "the emotional problem" – the need to maintain the audience's alertness to the volatility and intensity of the music. "In one of the slight mazurkas, if you don't capture the audience from the first bar of its two-minute course, the reaction will not be displeasure, but they may think it's not one of the good ones. It means you haven't done your job, because practically all the mazurkas are fantastic. You have to create an architecture of emotion through the whole performance – in a way that is unnecessary for Beethoven. In a Beethoven cycle, no matter how you programme it, you've got roughly two sonatas per half, and Beethoven does the driving."

The longer you talk to Ohlsson about Chopin, the more you realise he is a walking compendium. All the greater more danger, then, of being typecast as a specialist. Ohlsson saw the warning lights when he won the Chopin Competition. Mindful of the way Van Cliburn, winner of the Tchaikovsky Competition in Moscow, burned himself out playing the Tchaikovsky First Concerto around the world, Ohlsson turned down his agent's invitation to repeat the trick with Chopin. In the intervening quarter-century he has had ample opportunity to indulge his interests from Bach to contemporary American repertoire. Now he is returning to his first love.

Theatre

Play in pictures

Kayoko Shiraishi and Tatsuya Fujiwara

Alastair Muir

In terms of creating captivating stage images which connect directly with the emotions, Yukio Ninagawa is one of the most inspirational directors in the world. Whether a given production seems successful overall or not, one invariably comes away haunted by the pictures he has painted onstage; Ninagawa trained as a painter before discovering his theatrical metier, and often begins his work on a play by finding an overarching visual aesthetic.

Since his *Macbeth* and *Medea* at the Edinburgh Festival a decade ago, Ninagawa has made a more or less annual series of visits to Britain under the aegis of producer Thelma Holt. This, however, is the first time the company has presented a modern Japanese play in Japanese (with a taped synopsis read by Alan Rickman). *Shintoku-Maru*, adapted by Rio Kishida from the late Shuji Terayama's play, is a broth of hyperreality, surrealism and the supernatural; incestuous tension, a visit to the underworld, a "mother shop" where Shintoku's father buys a new parent for him and a supporting cast of sideshow figures each periodically bubble to the surface of Terayama's challenging, bewildering work.

The first and last images we see are those of a crowded street populated by a variety of market traders and other characters, lit from above by the jets of feathery sparks given off by a group of buzzsaws applied to a metal gantry; vessels laden with candles float by in the underworld; Shintoku's major confrontation with his stepmother Nadeshiko takes place amid a shower of tissue-paper snow beneath an enormous moon, which also witnesses their ultimate acknowledgement of love for each other. Events are accompanied by Akira Miyagawa's gently rocky score.

The pictures are astounding, but feel discrete rather than connected. Ninagawa seems to have applied himself to each segment of Terayama's text without having found a unifying vision. Where the director's 1994 production of the even more episodic *Peer Gynt* was at least spanned by the visual motif of the endlessly peeling onion, there is no single discernible path through *Shintoku-Maru* either for Ninagawa or the audience.

Kayoko Shiraishi as Nadeshiko oscillates as demanded between wifely devotion and spellbinding wickedness, and 15-year-old Tatsuya Fujiwara, in his professional stage debut, handles the contradictions and confusions of Shintoku with more than assurance. After 90 minutes, one leaves as haunted by moments as with any Ninagawa production, but unsure on this occasion what exactly is doing the haunting.

Ian Shuttleworth

Barbican Theatre, London EC2, until October 18 (0171 638 8891).

Ballet/Clement Crisp

To the Hart of the company

Tamara

Evelyn Hart: sublime

It is axiomatic that ballet companies visiting London make the wrong choice for their opening programme. Internal politics, the needs of certain dancers to be seen, a fond belief that some quaint native handicraft will reduce us to tears of delight: these are the guidelines that bring tears of regret to the management with the morning-after reviews.

The Royal Winnipeg Ballet, returning to London for a week's season at the glum Peacock Theatre after a long absence, is no exception. Its first programme was cause for the war-time phrase, "alarm and despondency". Soggy Balanchine – *Concerto Barocco* danced by the Camp Fire Girls – an inexplicable piece of local fretwork that subjected Ravel's *Miroirs* to sub-Kylian treatment; a thing called *Seventh Symphony*, were enough to send me cursing into the night. After this last brute, in which Dutch choreographer Toer van Schayk busied himself with Beethoven (yes, the entire symphony turned into accompaniment for mimsy gymnastics) I left the theatre bowed under a terrible weight: that of knowing choreography is a fatuous activity, akin to bingo or dwarf-throwing.

The redeeming feature of the evening was the presence of Winnipeg's genius, Evelyn Hart, partnered by Manuel Legris (*étoile* of the Paris Opera) in *Other Dances*. Jerome Robbins made this for Makarova and Baryshnikov. Hart and Legris were no whit less sublime. Evelyn Hart, borne on the air, wrapping Chopin's music round her like a cloak, phrasing like an angel, is a uniquely gifted ballerina. Legris, as I have noted on many occasions, is a marvel of technical beauty and elegance. Together they made Robbins' every step a delight.

The evening was otherwise a huge disappointment. Returned on Wednesday – the chance to see Evelyn Hart again the reason rather than any sense of duty – I saw a troupe happier, more engaging. The opening piece was *Ballo della Regina*, Balanchine's delighted response to Verdi ballet music and to the brilliance of Merrill Ashley, whose gifts it celebrated. Ashley has staged it for Winnipeg, and the company looked alert in it. And then came Evelyn Hart in the second act duet from *Giselle*, with Zhang Wei-Qiang her partner. I have seen every significant Giselle for the past half century. The divinities – Markova, Ulanova, Chauviré, Makarova, Semenyaka – made poetry of each moment. The rest have been, for the most part, nice young women who went dutifully through the motions. Evelyn Hart, whom I have greatly admired for two decades, is a phenomenon in the role. You see intensity of feeling – none more intense – allied to a vaporous physique, arms floating tendril-like in gesture, accents and phrasing whisper-soft, the dance set out in a belief-defying legato which is the embodiment of Giselle's character.

I have rarely known so spiritual, so disembodied a reading, or one that conveyed the marvel of this choreography so beautifully. A critic writing of Olga Spessivtseva, holiest of this century's Giselles, said that "it was her astral body not her physical presence that we saw". This is true of Evelyn Hart's wili Giselle, a forgiving spirit for whom the world no longer exists, fulfilling the last duty of her love for Albrecht. Purest, noblest art. It was a privilege to watch her.

Hart then appeared in Tudor's *The Leaves are Fading*, whose gentle manner suits the Winnipeg dancers very well. Hart – in the role made for Gelsey Kirkland – turns its sentimentalities into dreams, longing, regret, something grander than itself. And, in a final coup, a piece of bright, sparky, dance-making from the Canadian Joe Laughlin. *L'Etiquette* is about baroque manners twisted, tickled, sent-up, knocked-down. A dinner party; fans flicked open in a coded signs; a boy dressed before us in drag; elaborate manners and not-so-elaborate jokes; period costume and projections of baroque interiors; and an irresistible verve are the ingredients, with Bach, Corelli, Vivaldi as score. Laughlin is amused and amusing, yet gets to grips with the idea of elaborate conventions and the secret language of any tight-knit social group, and has fun. So do we. The piece is a bit light-weight in dance, but it is original and has just enough mystery not to seem merely a caprice. Hurrah for Laughlin and his cast.

The Royal Winnipeg Ballet's tour is sponsored by Wood Gundy.

Heritage Lottery pays out musical benefits

The Royal Academy of Music was yesterday awarded £7.6m by the Heritage Lottery Fund. The money will go towards the acquisition of its adjacent building in London's Marylebone Road, 1-5 York Gate, which was designed by Nash.

The RAM will use the building to display its unrivalled collections of Italian string instruments and pre-1900 brass instruments; to house its library; and to create a new concert hall and rehearsal room. The RAM now has to raise up to £6m through its own resources to complete the project by its target date of January 2000.

The fund made two other awards to the musical heritage yesterday. It gave £375,000 to the Handel House Collections to enable it to acquire one of the finest groups of Handel material, known as the Byrne Handel, ever assembled. It consists of 1,000 items and includes a newly-discovered Handel composition which had been transcribed, in his own hand, by Mozart. This short fugue was played yesterday by students of the RAM.

The Handel collection will go eventually to the Handel Museum in the composer's London house in Brook Street, Mayfair. The fund has already contributed to the acquisition of the property and the museum also hopes to open in 2000.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Driemaal Balanchine: National Ballet programme of three works – Concerto Barocco, Violin Concerto and Apollon Musagète, to music by Bach and Stravinsky; Oct 18

EXHIBITION
Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault (1809-1879): Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury. This display includes important works produced during the 1830s and 1840s; to Jan 11

■ BASLE

EXHIBITIONS
Offentliche Kunstammlung Basel
Tel: 41-61-271 0828
Peter and Samuel Birmann – Artists, Collectors, and Dealers: first major exhibition devoted to Peter Birmann and his son Samuel, the landscape painter; at the Kunstmuseum; to Jan 11

■ BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Andreas Delfs in works by Britten, Handel and Shostakovich; Oct 18, 19

■ BILBAO

EXHIBITION
Guggenheim Museum Bilbao
Tel: 34-4-423 2799
The Guggenheim Museums and the Art of This Century: the new museum's inaugural exhibition features more than 300 works of modern and contemporary art from the Guggenheim's collections

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection of the Kunsthalle Bremen; to Jan 11

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
● Idomeneo: by Mozart. Conducted by John Nelson in a staging by John Copley; Oct 18
● Peter Grimes: by Britten. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 17, 20

■ LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by André Previn in works by Mozart and Beethoven; Oct 18

DANCE
Labatt's Apollo, Hammersmith
Tel: 44-171-416 6082
The Royal Ballet: The Sleeping Beauty. Production by Anthony Dowell, with designs by Maria Bjornson; Oct 17, 18

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
Objects of Desire: The Modern Still Life. Exploring 20th century developments of a 400-year-old genre, this show ranges from Picasso and Matisse to Oldenburg and Warhol; previously seen in New York; to Jan 4

THEATRE
National Theatre
Tel: 44-171-928 2252
● An Enemy of the People: by Ibsen, in a new version by Christopher Hampton. Directed by Trevor Nunn. Cast includes Ian McKellen; Olivier Theatre; in repertory
● Chips with Everything: by Arnold Wesker. Directed by Howard Davies and designed by Rob Howell; Lyttelton Theatre; in repertory
● Othello: by Shakespeare. Directed by Sam Mendes and designed by Anthony Ward. David Harewood plays Othello, Claire Skinner is Desdemona; Cottesloe Theatre; in repertory

■ LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in Mahler's Symphony No. 3; Oct 17, 18

■ MELBOURNE

DANCE
Melbourne Festival
Tel: 61-1800-338 998
New York City Ballet: Programme One includes Interplay by Jerome Robbins, The Four Temperaments by Balanchine and Fearful Symmetries by Peter Martins; at the State Theatre; Oct 17. Programme 2 includes Donizetti Variations and Rubies by Balanchine, and the Barber Violin Concerto by Martins; at the State Theatre; Oct 18

■ MUNICH

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: Romet and Juliet. John Cranko's choreography is set to Prokofiev's score. with sets and costumes by Jürgen Rose; Oct 18, 19

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
Die Zauberflöte: by Mozart. Conducted by Hans Drewanz in a staging by August Everding; Oct 17

■ NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Neeme Järvi in works by Thomson, Tchaikovsky and Mendelssohn. With tenor Richard Clement and violin soloist Tasmin Little; Avery Fisher Hall; Oct 17, 18

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
Egon Schiele (1890-1918): The Leopold Collection, Vienna. Around 150 works by the Austrian Expressionist, dating from 1905 through 1918; to Jan 4

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
Ariadne auf Naxos: by Strauss. Revival of a production staged by Elijah Moshinsky; Oct 17

New York State Theater
Tel: 1-212-870 5570
The Magic Flute: by Mozart. New York City Opera revival. Conducted by Derrick Inouye in a staging by Lotfi Mansouri; Oct 17

■ PARIS

CONCERTS
Salle Pleyel Tel: 33-1-4561 6589
● Orchestre de Paris: 30th anniversary celebration. Conducted by Semyon Bychkov in a programme including works by Berlioz, Bartok, Stravinsky and Bach; Oct 17
● Orchestre de Paris: conducted by Iván Fischer in works by Schubert, Mozart and Bartok. With piano soloist Richard Goode; Oct 22

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Paris Opera Ballet: in Swan Lake; Oct 17, 18, 19

EXHIBITIONS
Grand Palais
Tel: 33-1-4413 1717
Georges de La Tour: bringing together all but one of the 43 works now recognised as the work of the 17th century master; to Jan 26

Jeu de Paume
Tel: 33-1-4703 1250
César: major retrospective of one of the most important French sculptors of the twentieth century. Tracing the the different approaches and materials with which he worked, the exhibition includes almost 500 objects; ends on Sunday

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Aufstieg und Fall der Stadt Mahagonny: by Kurt Weill. Conducted by Jeffrey Tate in a production directed by Graham Vick; Oct 18, 20

■ VIENNA

EXHIBITIONS
KunstHausWien
Tel: 43-1-712 0495
Herb Ritts: first European retrospective of work by the American photographer. Previously seen in Boston; to Jan 18

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

Moment of fusion

France and Germany are showing how the euro will transform Europe and could isolate the UK

A few days ago the German and French finance ministers met in the pretty Westphalian town of Münster. Outside the rarefied atmosphere of Europe's treasuries and central banks their deliberations passed scarcely noticed. History, I think, will take a different reading. This was the moment when the economics and the politics of the single currency fused. It was the occasion, too, when Europe breathed life into the British government's nightmare.

Theo Waigel and Dominique Strauss-Kahn, representing Bonn and Paris respectively, issued no great declaration after the latest of the economic meetings which underpin the Franco-German alliance. Their momentous conclusions were relayed to the attendant journalists without ceremony at an informal press conference.

The two governments, it was said, had agreed on the terms for a new council of finance ministers to co-ordinate the economic policies of governments in the euro zone. The body, as yet unnamed but destined to be called the euro council, will convene just before the monthly meetings of Ecofin, the council of European Union finance ministers.

It will deliberate on tax and spending matters, on structural policies such as wage costs and labour market flexibility and, quite probably, on trade relations. At French insistence, the governors of the European central bank will sometimes be invited to attend. The council's remit will thus embrace the entire sweep of economic policymaking.

Here, then, is concrete evidence of how the single currency will transform the political economy of Europe. The euro emerges at last in its political guise. Sure, the central bank will determine interest rates, but the politicians will set the context. The boundaries of national economic management, and thus of political authority, will be blurred and, eventually, erased.

All this will take time. No doubt in coming months we will hear minimalist and maximalist views of the new council's role. The former will hold it is simply the natural outgrowth of the fiscal "stability pact" that will accompany monetary union. Once governments set tough limits on deficits (and swingeing fines to enforce them), a political forum was inevitable.

It is also true that Bonn and Paris have differing perspectives. France sees a platform for European economic government – and, beyond that, for the continent's emergence as an economic superpower rivalling the US. Bonn worries that French instincts are protectionist, hankering still for a fortress Europe.

It fears, too, that Paris wants to meddle in the decisions of the independent central bank. Any ministerial pronouncements on exchange rates will thus be reserved for "exceptional occasions". The German government has insisted that the council will meet informally so as not to disturb the EU's current institutions. In theory, Ecofin will retain a final say.

Informal or not, the euro council presages a decisive shift in the balance of political power. Such institutions gather authority to themselves

Yet none of this offers consolation to Britain's Tony Blair. Informal or not, the euro council presages a decisive shift in the balance of political power. Once established, such institutions gather authority to themselves. Two-thirds of the 15 EU nations will take their seats next summer. Look beyond a year or so and decisions taken informally will merely be rubber-stamped in Ecofin. Britain, along with Denmark, Sweden and Greece, will be on the outside looking in.

It is this prospect of exclusion which crystallises Mr Blair's dilemma. It explains the uncertainty and the agonising which now accompany the deliberations in Downing Street on Britain's posture. The prospects of joining at the outset remain close to zero. But how to stay out and yet keep a foot in the door of the euro council? This is the impossible question which now troubles Whitehall's sharpest brains.

Recent speculation of a great row between Mr Blair and Gordon Brown on the issue seems misplaced. It is true that Mr Brown would be the first to pay a visible price for "saving sterling". In the unkind words of one Whitehall mandarin, the chancellor may soon be presenting his next employment action plan to a select audience of Danes, Swedes and Greeks. The thought terrifies him.

But for the moment, Mr Brown's economic calculations weigh as heavily against immediate entry into Emu as does Mr Blair's political caution. And in any event we can be certain that the final decision will be taken in No 10 rather than No 11 Downing Street.

The chancellor's men, ever eager to over-promote their patron, like to have it that, on the big issues, he has the final say. The reverse is true. Eight, or probably nine, times out of 10, the prime minister concurs with his chancellor. When he does not, there is no doubt as to who prevails. Thus, before the election it was Mr Blair who ruled out an increase in the top rate of income tax and who insisted on a referendum on the single currency. Intriguingly, he also made the running on independence for the Bank of England.

Now, though, there is uncertainty rather than division. To Mr Blair's mind there is no great issue of constitutional principle at stake. The question is not if but when. Yet it is proving no easier for that.

Those expecting the next few weeks to yield a gilt-edged commitment to put sterling into a single currency within a year or so of its starting date are likely to be disappointed. Mr Blair judges the political risks to be immense. And the emergence of the euro council could cut both ways. True, prolonged exclusion would severely damage Britain's national interest. Yet the council might also be held by Emu's opponents as proof of the easy elision between the single currency and European government.

So I suspect that Mr Blair's acceptance of the principle of Emu will be severely hedged – though with the conditions for a change of heart so framed as to leave them entirely flexible. As yet, I hear, the prime minister is unwilling to go even as far as the Confederation of British Industry in fixing a provisional timetable for membership.

Against that, events are now moving faster than anyone predicted. This week's accord among the spires and cobblestones of Northern Germany will prove a watershed both for Europe and for Britain. Only the foolhardy will now predict with any certainty how Mr Blair ultimately will respond.

LETTERS TO THE EDITOR

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Small percentage of customers who constitute a very big niche

From Mr Chris Ogden.

Sir, John Kay's excellent article ("A world of difference", October 6) should help every serious-minded executive to think through the reasons they may or may not succeed on a world stage. But smaller companies are beginning to appreciate that they can compete globally in a different way; through the ability to identify, sell to and service their customers through electronic means.

This is significant on two fronts: for the enterprise and for the consumer. For the enterprise, the internet is stimulating the rise of the small business that serves a global, not a local, market. In fact, the more "niche" the product, the greater the need to find target customers on a worldwide basis. Even a small percentage of the world's customers who will access global products and services can constitute a very "big niche" indeed.

For the consumer, a slow mindset change is in progress. Although opening a current account with a bank in Peru, rather than a high-street bank, is possible, consumers will need to be given confidence – through international regulation – before they are likely to do serious business this way. As the new quip says: "On the net, no one knows you're a dog."

But when new, and innovative, products backed by international controls start to be devised for global consumption, the traditional meaning of globalisation will have to be revised. Really, the new world will be about "niche reach", and when many products – especially service-oriented ones such as personal finance – can be delivered this way, then a new meaning of globalisation will emerge.

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Foreign investment feeds Celtic Tiger

From Dr Patrick McCloughan.

Sir, Further to Samuel Brittan's accurate and succinct assessment of the Irish economy ("Irish lessons for all", October 9), may I just stress that the single biggest factor in the transformation of the Irish economy since the late 1950s has been the growth of the foreign manufacturing sector. High-tech multinational investment is mushrooming and the single most important factor is the 10 per cent corporation tax on manufacturing profits, where "manufacturing" is very widely defined.

No other country in the European Union has a lower rate, and no other country has a manufacturing sector as widely defined as that of the Irish. Yes, there is keen competition for multinational investment from Scotland and Wales, but Ireland's fiscal and legislative independence provides a huge advantage.

Who was it that said, 75 years ago at the time of partition, that the Irish Free State would sink into economic oblivion? Or was that just an excuse to justify partition? The key lesson from the Celtic Tiger is that the road to prosperity for a small post-colonial economy is a long and arduous one. No doubt the Scots and Welsh have taken note.

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Government's role in future of the family

From Mr James R. Adams.

Sir, Martin Wolf makes a helpful contribution to the debate on the future of the family ("The great disruption", October 14) but, in leaning heavily on economic considerations, underplays the part governments can play.

A significant factor in relaxing the previously held views about the importance of stable relationships was the 1960s' emphasis on freedom, allowing the individual to act without consideration for the consequences. This in itself was a reaction to a long period of living under the threat of a nuclear holocaust. What we know now, and did not know then, was the impact on children of living in unstable family relationships. What governments can, and should, do now is to promulgate this knowledge widely.

I refer to the data available from The National Child Development Study and its successors, which contain objective and authoritative answers to many of the questions still vexing parents, politicians and sociologists alike.

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What's one more Italian election?

From Mr Dom Serafini.

Sir, To paraphrase your editorial (Pro Prodi, October 14), indeed, Italy "might do better with an election". The fact that Romano Prodi would now be leading a government tilted to the far left will not make the centrists in his government coalition happy, thus perpetuating its instability.

The party you call "Reconstructed Communism" and *The Economist* calls the "Refounded Communists" (let's settle for Communists) wanted just a few concessions, among them the courtesy of being consulted. The government refused to show some independence from the extreme left (to please the centrists) and the results were a pre-announced crisis.

One more element in Mr Prodi's favour, though, is his development of a clear political left, a centre and a well-defined right. Under these conditions an election (after all, what's one more election for Italians) could better define the majority and the opposition for more stability in the future. The announcement that Silvio Berlusconi would not be leading a potential government from the right was recent. News commentators are comparing Belusconi's new role to that of Massimo D'Alema on the left, but there are reasons to believe that, in actuality, Berlusconi's role will be similar to that of Carlo De Benedetti on the left and Gianni Agnelli for the centre.

In other words, Berlusconi will be limiting his activities to influencing the general political direction, but will not be involved in day-to-day strategy as D'Alema is.

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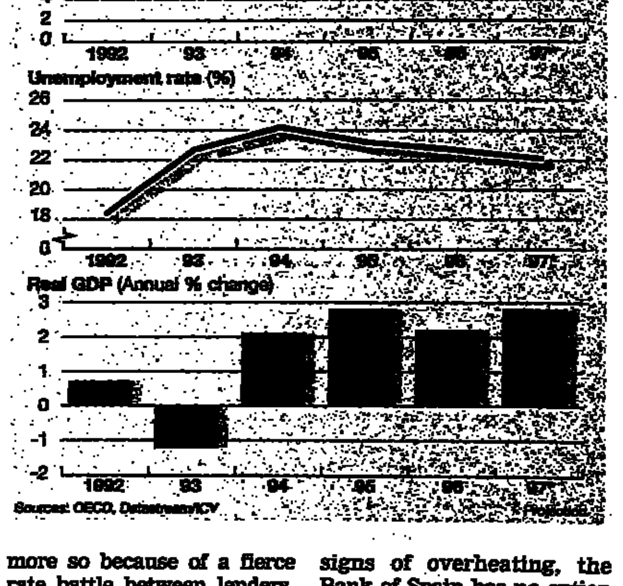
Spain's miracle

The country is booming but unemployment remains a problem, says **David White**



"Spain is doing well." This complacent dictum of José Maria Aznar has become a stock joke in the country: the latex puppet that represents the prime minister in a daily television satire repeats the affirmation ad nauseam, lampooning the nasal and ponderous voice emanating from beneath the moustache.

But even Mr Aznar's enemies are having to admit that, at least as far as the economy is concerned, Spain's performance really is quite impressive.

When his centre-right government took over from the Socialists in spring last year, the economy was struggling. Now it is taking off. At first, this year's official target for growth – 3 per cent – was considered far-fetched: today, the expectation is that it will comfortably exceed that. Next year, the government hopes for growth of 3.4 per cent, but many economists think it will be more, perhaps as much as 4 per cent.

Spain is now among the fastest-growing countries of the European Union, something it has not been since the get-rich-quick days of the late 1980s. A year ago, experts reckoned it might – at best – scrape through as one of the first members of the single currency in 1999. Now it looks as if it may be one of those that qualify most easily.

The upswing has done wonders for the government's self-assurance. Short of a majority in parliament, it depends on the whims of a Catalan party that supports it on economic and monetary union and broad economic policy but has its own political agenda. The boom is now such that Mr Aznar is more relaxed about his prospects in an early election if he is forced to call one.

Increasing optimism about Spain's Emu prospects has reinforced confidence among business and the public. Long awaited, the signs of a pick-up in consumer spending are now clear. The surge comes from higher real incomes, increased employment and record low interest rates. The Bank of Spain's benchmark short-term rate was 8.75 per cent at the time of last year's elections. It is now down to 5 per cent – after 18 successive cuts.

This is a whole new world for Spaniards. Savings are being shifted out of term deposits and into investment funds. Mortgages are suddenly more accessible, the more so because of a fierce rate battle between lenders. Construction, which has been in the doldrums, is looking up, helped by the fact that the government, with less to pay on its debt, is now easing the constraints on public investment. Builders could be very busy in 1998.

For a country with the highest proportion of jobless in the EU – for Spaniards between 16 and 24, the unemployment rate is two out of every five – the upturn comes none too soon. It was expected last year, with all the indications of an export-led recovery, backed up by investment in new equipment by exporting industries. Other segments of domestic demand failed to follow, however, and Spain became caught up in a wider EU slowdown. Since the middle of last year, recovery has been gradually gaining strength again. It is now going great guns.

Growth will be pushed along by the prospect of further interest rate reductions. Even if the economy shows signs of overheating, the Bank of Spain has no option but to push its rate down if Spain is to join Emu: the core euro zone has a uniform rate of only 3.3 per cent.

Spanish exports have kept exceeding expectations, thanks in part to the recent strength of the dollar. And tourism has done nothing but break records. So far this year Spain has packed in 1.5m more holidaymakers than last year. It is now the world's largest tourism earner after the US. The current account of its balance of payments has been in surplus since 1995.

Is this good fortune or good government? The truth is a mix of both, with perhaps more of the former. The broader EU cycle has definitely been in the new administration's favour. The sharp fall in inflation is in part due to a one-off decline in food prices. After a 3.2 per cent rise last year, consumer prices plummeted below 2 per cent earlier than anyone had expected, though the trend is now turning up again.

At the same time, the government has taken steps to liberalise and deregulate the economy. "Always when Spain has liberalised it has grown faster," says a senior official. Plans to prepare for open competition in the power sector have brought the first cuts in electricity prices for 40 years: 3 per cent this year and at least 2 per cent next.

The question is: should the government grab the chance of doing more? Though its 1997 austerity budget raised its credibility in business circles, business supporters complain that much has been left undone. "We still have a lot to do in health and social security," a treasury official admits.

Some Aznar advisers favour much bolder, if unpopular, measures to resolve longer-term structural problems. These include the looming crunch in state pensions as the proportion of old people rises rapidly, and the costs of the public health system, which has been given a further big increase in next year's budget. They argue that the crest of a boom would be a good time to do it. But Mr Aznar, mindful of his precarious parliamentary position, insists on avoiding confrontation and sticking to what can be achieved through consensus.

Spain's Achilles' heel remains unemployment, officially almost 21 per cent and twice the EU average. A compromise pact earlier this year to ease the country's notoriously rigid hiring-and-firing rules appears to have had some success, reducing employers' reluctance to take on permanent staff. The government is hoping for a net increase of 300,000 jobs next year, and some economists expect the jobless rate to fall by three or four percentage points.

But Spain still has one of Europe's least flexible labour markets and a recent wage trend clearly above inflation. The fear is that in a future cyclical setback, instead of being able to respond to competitive disadvantages by devaluing (as it has done four times in just over five years), once inside the single currency it will pay through lost jobs.

"Next time there's a downturn, it will be painful," warns a foreign banker in Madrid.

The good news for Mr Aznar is that this is likely to happen after the next election.

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FINANCIAL TIMES

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Friday October 17 1997

Club for Emu first-rounders

The French and German finance ministers this week agreed on a plan to set up a new club for first-round Emu participants, aimed at improving economic co-ordination. How well this works will help determine the long-term success of Emu.

The aim of the proposed group is to discuss issues of economic policy co-operation and structural reform. The French were hoping for a political counterweight to the European central bank; what they have got is an "informal forum" with no statutory powers.

But the forum will be more than a talking shop. It will convene just in advance of the monthly meeting of the 15 EU Finance Ministers (Ecofin), and so will have a prime opportunity to make important decisions without interference from the non-EMU countries. Finance ministers from the remaining EU countries could arrive at Ecofin to find themselves outvoted before they even start to talk.

The forum, then, will have power. What is in doubt is how well it will be used.

In some areas, Emu participants do need to co-ordinate closely with one another. Exchange rate policy for the euro is one. The collective fiscal stance could reasonably be another. In both areas, the discussions could break down in disagreement or reach unwise conclusions. But the importance of the topics is clear.

In other areas, this inner group of members will find themselves discussing topics that are of interest to all members of the EU – employment policy is an obvious example; the harmonisation of fiscal structures and tax rates is another. Here the forum could be a catalyst to much-needed structural economic reform. But it could also prompt quite unnecessary harmonisation among countries well aware of their high costs and rigidities.

The potential is there for the forum to help Emu work better. However, the group will need to choose wisely. It must also achieve consensus if it is to act at all. Difficulty in agreeing the way forward could prevent any progress.

The group could also act as a device to exclude recalcitrant outsiders from exercising much influence even over sensitive decisions that directly affect them. Such divisions may well be an inevitable consequence of Emu. They could create serious friction, all the same.

The fundamental point, however, is that closer co-operation among members of Emu is inevitable. The task is to ensure that it is conducted wisely, minimising friction with those countries that find themselves permanently, or temporarily, outside the club.

Thai recipe

Foreign banks and investors in Thailand have understandably shown some wariness over the financial restructuring plans unveiled by the government this week. In theory, the programme looks sensible, even if it is belated. But the implementation is what matters.

Insolvent finance houses will be liquidated. Weak managements in those that survive will be replaced. Bad assets will be bought in by a government agency and disposed of over the medium term. And regulations restricting foreign investment in the sector are to be liberalised. But the success of the programme will be decided by the will of the government to carry out the plans fairly and firmly.

The government's track record since the start of the financial crisis has scarcely been reassuring. Early action might have meant it never needed to turn to the International Monetary Fund, but it failed to realise the scale of the problem. Even when it did, in August, it had no ideas on how to tackle it.

This week's package, worked out with substantial help from the IMF and the World Bank, marks an important step towards a recognition of reality. Two potentially powerful agencies will decide which finance houses can be saved, and how to liquidate the rest. Much tougher standards are promised for loan provisioning, which will require substantial recapitalisation of surviving banks and finance houses. The government has also announced potentially unpopular tax rises to comply with the IMF insistence on posting a budget surplus.

So far, so good. But there are still questions begging an answer. For a start, it is unclear how tough the government is willing to be in liquidating the worst performers. Many of the financiers behind them have been big contributors to political parties. The new Financial Restructuring Authority, which has to decide which companies will survive, must be deaf to special pleading.

Further details are promised today on the legal basis of the FRA, new powers of the Bank of Thailand to supervise the survivors, and tougher loan classification standards. They should provide more clarity. But there is still widespread anxiety among creditors that they have not been consulted.

The Thai government has drawn up a plan to help woo long-term investors by liberalising the banking sector. But it also has to regain the confidence of short-term lenders, many of whom were creditors of the suspended finance houses.

They cannot expect to get all their money back. But the government must ensure they all get treated equally.

Machine voting

The case for Britain using proportional representation in European elections has always been strong. The function of the European parliament is strictly representative: it does not have to sustain a stable government. So it may as well be as genuinely representative of the diverse currents of European opinion as possible.

All other member states use some version of PR for the elections; Britain, by not doing so, tends to distort the overall result with large swings to left or right. Moreover, since Northern Ireland has to use PR (otherwise the nationalist minority would not be represented at all), the use of first-past-the-post on the mainland unnecessarily divides the UK.

The government's commitment to introduce PR in 1999 is therefore welcome. Less so is its reported intention of using "closed" regional lists – a system that gives the electorate no chance to vote for or against individual candidates.

The advantage of that system for party managers is obvious. In New Labour's case it has a specific purpose, making it easier to de-select the "old labour" incumbent MEPs who won seats in the big leftward swings of 1984 and 1989. If the Conservative party were foolish enough to use it in the same way – in their case to de-select Europhile incumbents – prime minister Tony Blair would be only the more pleased.

Labour should think again before stooping to such petty politics. It is under no obligation to use the same system as any other member state. Even the Rome treaty commitment to an eventual uniform system is being diluted, under the Amsterdam treaty, to a system "based on common principles". But this would be a good chance, while the promised commission is deliberating on a possible PR system for Westminster, to see how the mainland electorate reacts to the single transferable vote system, long in use in both parts of Ireland.

Alas, that system, which allows voters to choose candidates irrespective of party by numbering them in order of preference, is much too democratic for control freaks like some of those around Mr Blair. But why not use the additional member system already planned for the Scottish parliament?

In its most democratic form, this can avoid lists altogether, using runners-up in single-member constituency contests to top up the numbers elected from each party until a proportional result is reached. Or, if lists are for some reason considered desirable in themselves, why not at least allow voters to express preferences within a party list, as they do in several continental countries?

Democracy means, or should mean, power for the people. Not just for party machines.

Unravelling the UN

Kofi Annan tells **Edward Mortimer** and **Richard Lambert** why the world needs a 'restructured and revitalised' global forum

In 1992, when Boutros Boutros Ghali became UN secretary-general, few doubted the importance of the job. The end of the cold war had freed the UN to act as the global policeman imagined by its founders. The Gulf war had shown that a coalition of member states, authorised by the Security Council, could beat back aggression. More UN peacekeeping troops were deployed around the globe than ever before.

Five years later the task facing Kofi Annan, Mr Boutros Ghali's successor, looks no less daunting. But it is far less glamorous. Since 1992 the UN has abandoned Somalia, failed to prevent genocide in Rwanda, and been elbowed aside in Bosnia. Its peacekeeping troops have dwindled from 80,000 to 22,000. No one dares propose a new UN peacekeeping force anywhere, since the US administration would rather use its veto than have to justify such an operation before Congress. The policing role has largely been taken over by regional organisations with one powerful state in control: Nigeria in west Africa, Russia in the former Soviet Union, the US from Bosnia to Haiti.

Marginalised in world security, the UN also faces bankruptcy. Many of the poorer members, as well as the richest, the US, have fallen behind with their dues. The UN is not allowed to borrow so has had to raid its own peacekeeping budget (leaving troop contributors unpaid) to settle the most urgent of its bills. As UN peacekeeping declines, even that source of finance dries up.

In short, Mr Annan's task is to save the UN, rather than the world. Is he up to the job? And what can he do?

Mr Annan owes his position to the US, which last year vetoed a second term for his predecessor. Seeing an Egyptian thus humiliated, African states insisted that the post revert to another candidate from their continent. Thus Mr Annan, a US-educated Ghanaian, became, almost by default, the first black African secretary-general, and the first to rise through the ranks of the UN secretariat.

"Kofi gets on with everyone, so he won't get on with any *thing*," was the jibe of one former colleague.

The first half of the statement is true. In the 38 floors of the secretariat building, in the permanent missions of member states, even in the corridors of the US Congress, it is hard to find anyone who bears Mr Annan a grudge. Nor can anyone remember hearing him raise his voice. His is the soft answer that turneth away wrath.

But what about the second half? The idea that he is too nice to make tough decisions is indignantly denied by Mr Annan's loyal circle of aides, most of whom came up with him from the peacekeeping department he previously headed. They bear witness to his firmness in scotching any rivalry among them, as well as the energy with which he is driving forward the most comprehensive reform programme in the UN's history.

He has already regrouped UN activities into five "clusters", the heads of which meet with him weekly as a cabinet, and he is now seeking General Assembly approval for further reforms, such as the cutting of 1,000 jobs and the appointment of a deputy secretary-general who would take over much of his day-to-day management role, leaving him free to provide "sustained intellectual and organisational leadership".

His critics, however, argue that Mr Annan fell at the first fence in July when he backed away from a plan urged upon him by Maurice Strong, his main adviser on reform, to bring the UN's multiple humanitarian relief agencies together under the Geneva-based High Commissioner for Refugees (UNHCR). Faced with fierce resistance from the heads of the agencies concerned, Mr Annan contented himself with giving the role of "emergency relief co-ordinator" to the head of the department of humanitarian affairs at UN headquarters in New York.

Denying that this was a setback, Mr Annan says he made his own choice. Rather than heap new responsibilities on an already overloaded UNHCR, he preferred to give them to a senior figure close to his own office who, "if we have a problem with government X ... will go down, with my authority, to read the riot act, so that the humanitarian agencies do not get caught in political fights with governments they are working with on the ground".

Behind such organisational changes, though, lurks the bigger question of the scope of the UN's operations. Mr Annan believes most governments, with the important exception of the US, realise that the UN's significance goes far beyond peacekeeping – that it is, as he puts it, "the only global forum we have and the only organisation that can assist us in these cross-border problems – what I call 'problems without passports' – whether it's environment, drugs or whatever".

In practice, this means the UN cajoling national governments to focus on such problems, and to take account of each other's priorities in formulating proposals for global action.

The secretary-general consults regularly with the private sector and with the heads of other agencies, including those outside the UN system (such as the World Trade Organisation). As he points out, the UN has a direct role in development through the UN Development and World Food programmes, and the UN Children's and Population funds (Unicef and UNFPA).

And in addition to that, the UN has for 20 years helped set the international economic and social agenda through giant conferences such as the 1992 Earth Summit in Rio de Janeiro, which popularised the term "sustainable development", and the climate conference to be held in Kyoto this December.

Business, the voluntary sector and most governments find such get-togethers helpful. And, says Mr Annan, "quite a lot of them were very upset that one of the conditions coming out of Jesse Helms was 'no more global conferences'".

Why should Mr Helms, the arch-conservative chairman of the US Senate foreign relations committee, be in a position to dictate terms to the UN? Because without his support the Clinton administration cannot pay off the arrears which are crippling the UN budget. While Mr Annan and his officials are at pains to present the reform package as good in itself, aimed at enabling a "restructured and revitalised" UN to give all its members better service, everyone knows the Republican majority in Congress is the constituency which has to be satisfied. Since taking office in January, Mr Annan has already made more visits to Washington than his predecessor did in five years.

He is even on first-name terms with Mr Helms, who has agreed with his Democratic opposite number, Joe Biden, on a package to pay the US debt to the UN over three years. On the face of it, this sounds like excellent news for Mr Annan. Unfortunately, from his point of view there are three things wrong with the package:

- It computes the arrears to all international organisations (not just the UN) at $819m, which Mr Annan has been told may with luck be raised to about $900m. The UN's own calculations show a US debt to it alone of $1.3bn.
- It is part of a larger foreign appropriations bill, which is stalled in conference between the Senate and the House of Representatives. Rep Chris Smith, chairman of the relevant House committee and veteran anti-abortion campaigner, is insisting the bill include language on abortion which President Bill Clinton would feel obliged to veto.
- And it is conditional on the UN adopting a list of specific reforms, most of which require General Assembly approval. Many other member states object to this procedure, pointing out they too have parliaments. If all tried to dictate UN policy in this way the organisation would grind to a halt.

One of the conditions is that the US's contribution to the UN regular budget be cut from 25 to 20 per cent. Meanwhile, Congress has unilaterally slashed the US share of peacekeeping budget costs, for which Security Council permanent members are supposed to pay a premium, from 31 to 25 per cent.

The shortfall can only be made up by higher contributions from other states, notably Japan and Germany, the two leading new candidates for permanent membership of the council. Neither is willing to pay the peacekeeping premium until it becomes a permanent member. For the regular budget Tono Eitel, Germany's UN ambassador, says his country would accept any "fair" schedule of assessments with or without permanent membership. But other member states believe both German and Japanese perceptions of what is fair will be crucially affected by their prospect of becoming permanent members.

Thus Mr Annan finds it impossible to disentangle his reforms from the issue of who pays what, which in turn connects with the even more fraught question of Security Council enlargement. He desperately needs the new scale of assessments to be agreed upon by the end of the year so that he can send out assessments for the 1998 budget in January. Yet he knows that the regular and peacekeeping budget assessments are linked, and that the peacekeeping one, at least, is also linked to Security Council reform, which will not pass by the end of the year because of rivalry between third world states over the proposed new regional permanent seats for Africa, Asia and Latin America.

Thus the UN's financial crisis seems set to continue, and the fate of Mr Annan's reforms, in spite of fulsome declarations of support from almost every member state, is at best uncertain.

· OBSERVER ·

Weather vane

■ Peruvian president Alberto Fujimori likes having a crisis to manage. He's exchanged his shiny shoes for gumboots to stride around the country, directing operations to repel El Niño, the wobbly weather pattern lurking off the coast.

Torrential rains and floods are expected to hit Peru over the next few months, and Fujimori is leading battalions of bulldozers and diggers to dredge ditches, build retaining walls and move villagers away from rivers. He's put more than half the country under a state of emergency.

He came well out of his last big crisis six months ago, when he ordered commandos to storm the Japanese ambassador's residence in Lima and free 72 hostages. But his poll ratings have plunged since then.

Peruvians were't impressed when his allies sacked three constitutional court judges who'd ruled that he couldn't run for a third term, or when the government engineered a pro-Fujimori takeover of a television station which had exposed torture and phone-tapping by the secret police.

Now Fujimori can talk exclusively about the civil defence campaign against the weather menace: with El Niño's impact not expected to peak until the spring, it must be a welcome respite from all those pesky questions about poverty and abuse of power.

Unfree press

■ The world is getting used to the new, pro-reform face of Vietnam. But all the cosying up to the international community – especially investors and financial institutions – and noises about changing attitudes have drowned out reminders that the communist system still has those old repressive reflexes.

Nguyen Hoang Linh, former editor of state-controlled business newspaper Enterprise, isn't seeing much of the supposed new dawn: he's in prison after being arrested for disclosing state secrets. He can be held for up to nine months while investigators try to stitch a case together.

Linh's offence was to investigate Vietnamese customs' purchase of four clapped-out second-hand patrol boats from Ukraine. He drew attention to some murky aspects of the deal and suggested Vietnam had paid $4m too much for them.

It's not exactly the first such case in Vietnam, but the last one was some years ago. The guarantee of freedom of expression in Vietnam's constitution seems to mean just as little as it ever did.

Slow march

■ Another of those big US marches is imminent, hard on the heels of those 700,000 evangelical "promise-keepers" who paraded for the Lord through Washington this month. In less than two weeks, there's a follow-up in Pennsylvania to the Afro-American "million-man march" of 1995 – but it looks unlikely to live up to its title of the "million-woman march".

Keynote speaker Winnie Mandela is undoubtedly charismatic, but some feel her current difficulty with South Africa's Truth and Reconciliation Commission over her role in the kidnapping and disappearance of several black youths in Soweto in the 1980s doesn't quite square with the aim of the march – "to help revitalise black families and communities".

Fowl play

■ Michael Crall's been careful not to cause a flap since taking charge two years ago at Equitas, the vehicle set up to run billions of pounds worth of Lloyd's of London's losses. Apart from the need to make a turn from the ruins of underwriting past, Lloyd's names have been grumbling about the quiet American's £380,000-a-year remuneration package and swish offices.

But Crall, 53, is used to living on the edge. He made his name in the 1980s turning California-based Argonaut Insurance from a basket-case into a winner. He's got stout support from his chairman David Newbigging; the former Jardine Matheson boss will have no truck with the idea that Equitas executives are feathering their nests – or that they should roost in the outer suburbs to save a few pennies on the rent.

For all his low profile, Crall might confound the sceptics. Far from being buried under a pile of claims, latest results suggest Equitas has got something to crow about. No-one's counting chickens yet, but Equitas could yet turn out to be the turkey that lays a golden egg.

Winged

■ Would-be investors in the spanking new airport to be built south of Berlin are being wooed by bankers BZW with upbeat talk of a new hub handling 20m passengers a year. A challenger for mighty Frankfurt? Maybe, but for now national carrier Lufthansa says it doesn't need a Berlin-London service, and is pulling out of the route.

The Financial Times

50 years ago

Edinburgh Castle Launched
A new Union-Castle liner, the Edinburgh Castle, was successfully launched at Belfast yesterday. The naming and launching ceremony was performed by Princess Margaret, being the first big public engagement carried out by Her Royal Highness unaccompanied by any other member of the Royal Family. The Edinburgh Castle is the third vessel to bear this name in the Union-Castle fleet.

German Factory Dismantling
The British Control Commission and the U.S. Military Government to-day announced that a total of 682 German factories, 380 of which are industrial establishments and the rest strictly war plants, have been listed for reparations under the new bizonal level of industry plan, and will be declared to the Four-Power Allied Control Council immediately. This total, which the announcement declared to be final, is less than half the 1,636 plants which were to be broken up under the quadripartite level of industry agreement of the spring of 1946. Of the plants listed, 496 are in the British Zone and 186 in the U.S. Zone. The British Zone list includes such famous works as Krupp at Essen.

FINANCIAL TIMES
Friday October 17 1997

European Commission investigates Microsoft

By Emma Tucker in Brussels and Louise Kehoe in San Francisco

European competition authorities are investigating Microsoft's commercial practices in Europe.

The probe into the world's biggest software producer focuses on the possible abuse by Microsoft of its dominant position in Europe, and alleged anti-competitive agreements that are squeezing competitors out of the market.

At least two of the inquiries were prompted by formal complaints from other companies, including one that relates to Microsoft's licensing practices. In total, "half a dozen" Microsoft-related cases are being examined, European Commission officials said.

"We have a series of cases on our table," an official said. "In one case, we sent Microsoft a statement of objections less than six months ago."

He added that Brussels had already received a response to its list of competition worries and would organise a closed hearing with the company before the end of the year.

Microsoft said it believed the Commission was referring to cases that were several months, and in some cases years, old. "This is old news. There are one or two issues outstanding, but there is nothing new going on," the company said.

Microsoft has already come under intense scrutiny by the US competition authorities. State regulators in at least six states have recently opened investigations of Microsoft's pricing and business practices.

Yesterday the Commission official said some of its lines of inquiry were being co-ordinated with the US authorities. But he added: "This is not a frontal attack on Microsoft."

One of the Commission's principal concerns relates to the way that Microsoft agreements with internet access providers are limiting competition for rival companies in the field.

The investigations are being carried out under articles 85 and 86 of the EU treaty, which deal with anti-competitive agreements and abuse of a dominant position.

If Microsoft is found to have infringed EU law, it may have to make significant changes to its sales practices.

The US company reached an agreement with the Commission in 1994 that mirrored its settlement of antitrust charges with the US Justice Department.

Under the terms of the settlement, Microsoft altered some of its Windows licensing agreements with personal computer manufacturers. The "consent decree" also put Microsoft under continuing scrutiny by Justice Department officials.

China Telecom share offer has less pull than expected

By John Ridding in Hong Kong

Shares in China Telecom, the largest initial public offering to be launched in Hong Kong, were 30 times subscribed by investors in the territory, according to bankers close to the US$4bn issue.

This response was weaker than expected, reflecting adverse market conditions and an increase in the issue price. Previous issues of red chips, the Hong Kong arms of mainland businesses, have been subscribed several hundred times.

Nonetheless, demand for the mainland telecommunications operator was high by international standards. The larger international tranche of the issue saw strong demand.

Hong Kong demand was affected by the size of the issue and by bearish market sentiment. The red chip index has fallen by almost 40 per cent in the past month, with much of the decline in the past week.

Pricing of the issue was at the upper end of a range that had increased at the weekend. Goldman Sachs, the global co-ordinator alongside China International Capital Corporation, said the retail price was fixed yesterday at HK$11.68 a share, excluding commission. This compares with a predicted range of HK$9.39 to HK$12.48.

The international tranche of the 2.6bn share issue was 20 times subscribed, one of the highest levels for an international issue. The price for the international offering was fixed at HK$11.80.

"It seems a fairly robust response, given the volatile environment and the pricing," the managing director of one Hong Kong investment bank said. "It is encouraging that some of the speculative mania that accompanied earlier issues appears to have been dispelled."

Several commentators called China Telecom a quality, but costly, red chip. On a fully diluted basis, the shares are priced at more than 30 times 1997 earnings.

The issue has been supported by the Ministry of Post and Telecommunications, China's dominant operator and the parent of China Telecom. The Hong Kong-listed subsidiary will be the only vehicle for foreign investment in the mainland telecoms sector, while investors have also been drawn by the prospect of future asset injections.

Trading in China Telecom will start in New York on October 22. Hong Kong trading will start the next day.

World Stocks, Page 36

Opel to cut jobs from Antwerp arm

Continued from Page 1

damage the Belgian economy after a string of large job losses this year.

Economists have estimated that closure of the Vilvoorde plant will knock 0.1 percentage points off Belgium's rate of economic growth this year.

More than 1,500 jobs have also been lost in the Walloon steel sector, while Belgacom, the partially privatised telecommunications group, is reducing its staff by 6,000, mainly through early retirement and voluntary redundancies.

Renault said the cripplingly high social contributions paid by employers to Belgian workers made them expensive.

Opel steered clear of blaming such factors, saying its decision followed a lengthy plant efficiency study this year.

Opel managers were due to meet union officials yesterday to discuss the plan.

Opel may yet be drawn into a dispute over European competitiveness. This month, the company announced it would start building Astras at its showcase Eisenach plant in the former East Germany to raise output before the introduction of a new model early next year.

Opel's move came amid German press rumours that David Herman, chairman, may be moved before the end of his five-year contract and replaced by the head of GM's Mexico operations.

The company dismissed this as speculation.

Separately, GM said it would build the current generation Astra at its DM530m ($302.8m) factory being built near Gliwice in Poland.

There had earlier been speculation that the plant might build a new smaller car designed specially for eastern Europe.

Mahathir tones down attacks on currency speculators

By James Kynge in Kuala Lumpur

Mahathir Mohamad, Malaysia's prime minister, yesterday toned down his condemnation of currency speculators, but called for the setting of global trading rules and regulations to accompany the liberalisation of capital markets.

Dr Mahathir's softer line comes after three months of vitriolic outbursts during which he said "immoral" currency speculation should be banned and rumour-mongers should be shot. He called George Soros, the US financier, a "moron" and suggested that a Jewish "agenda" might be behind the assault on the ringgit, Malaysia's currency, which has slumped by more than 25 per cent against the US dollar since early July.

Dr Mahathir's latest comments were made ahead of the country's 1998 budget, which is to be announced today. The local financial community hopes Malaysia will strongly reaffirm its commitment to free markets and financial liberalisation. Anything less could lead to more weakness for the ringgit and stock prices, analysts said.

Dr Mahathir's more reasoned tone was consistent with a Malaysian background paper presented at a meeting of economic ministers from the Association of South East Asian Nations in Kuala Lumpur yesterday.

The paper advocated sound economic policies as the "best defence" against speculative attacks on currencies, in contrast to earlier public assertions by Dr Mahathir that the country's currency crisis was engineered by foreigners and had nothing to do with economic fundamentals.

Eschewing such views, Dr Mahathir suggested yesterday to his Asean colleagues that moves to liberalise markets should take into consideration the dangers posed by the unpredictable flows of short-term "hot money".

"Liberalisation is not about doing away with rules and laws altogether. It is about everyone submitting to the same set of rules, regulations and laws on a world scale rather than national scale," he added.

Observers said Dr Mahathir's reversal was in response to opposition from important Asean neighbours such as Thailand and Indonesia, both of which have sought the assistance of the International Monetary Fund to alleviate their crises.

Analysts said Dr Mahathir's position is that currency trading should be more transparent so that the trading activities of large funds may be documented.

THE LEX COLUMN

Three-way call

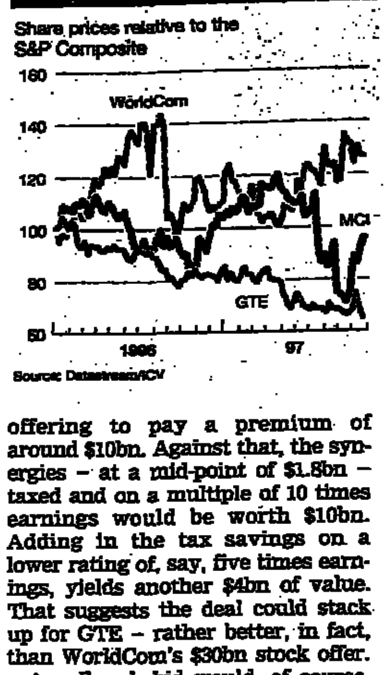
The key to the battle for MCI is whether WorldCom's inflated share price holds up. If it does, its $41.50/share all-paper bid may win the day; if not, GTE's $40/share cash offer will triumph. So far, WorldCom's stock has remained remarkably firm. But nobody has yet tried to undermine it. Now GTE – and possibly British Telecommunications too, if the two form an alliance – has every incentive to do so. The betting must be that it will have a very good bash. After all, WorldCom's multiple of over 40-50 times next year's earnings is only warranted if the company can grow at 30 per cent a year compound for the following five years. That seems implausible given the industry's underlying growth rate is in single digits; WorldCom is now no longer a minnow that can hope to grow dramatically faster than its pond.

Of course, an attack on WorldCom would carry greater weight if BT and GTE joined forces. The logic for an alliance is strong. But, as ever, much will depend on personal chemistry and, unfortunately, BT has traditionally been weak at forming good relationships. Hopes that matters would improve under Sir Peter Bonfield, the chief executive, have yet to bear fruit.

It is conceivable but unlikely that new players will enter the fray. The most obvious candidate would be AT&T, which could logically combine with either GTE or BT. The snag is that, with its search for a new chief executive dragging on, Ma Bell is in a state of suspended animation.

FTSE Eurotop 300 index
979.7 (-1.9)

US telecoms



Source: Datastream/ICV

GTE

GTE's $28bn offer for MCI looks finely pitched. The group would be able to extract fewer cost savings from MCI than rival bidder WorldCom, since there is less of an overlap in their long-distance networks. But the revenue synergies might actually be greater if GTE/MCI's bundled services can help it pinch customers from neighbouring Baby Bells. GTE's estimated $1.6bn-$2bn of annual synergies by 2000 therefore looks reasonable, perhaps even conservative, compared with the $2.5bn WorldCom is promising by 1999. GTE will also reap tax savings by gearing up. Borrowings of $28bn should give rise to annual interest costs of around $2bn. At a 40 per cent tax rate, that would generate extra savings of $800m.

Assuming a stand-alone fair value for MCI of $17bn-$18bn, GTE is offering to pay a premium of around $10bn. Against that, the synergies – at a mid-point of $1.8bn – taxed and on a multiple of 10 times earnings would be worth $10bn. Adding in the tax savings on a lower rating of, say, five times earnings, yields another $4bn of value. That suggests the deal could stack up for GTE – rather better, in fact, than WorldCom's $30bn stock offer.

An all-cash bid would, of course, leave GTE's finances looking pretty ropy, with $54bn of debt against a market capitalisation of $43bn, and interest cover, before cost savings, of barely two times. But that makes no allowance for a cash infusion either from a small equity issue or a friendly BT.

T&N/Federal

Shareholders are bound to be a bit grudging about accepting £1.5bn for T&N; it works out at only 15 times this year's expected earnings before asbestosis charges. Federal-Mogul has taken advantage of a share price depressed by persistent fears that the liability was still not fully covered. And its bid includes a further £367m provision. If this sum and T&N's net debt are added in, the deal values the business at a more respectable £2.1bn compared with the company's £1.8bn sales. This still does not look generous, but at least it is a cash bid. If no rival emerges as the deal wends its way past the regulators, shareholders should be satisfied.

For Federal, the funding looks quite racy. It will have more than $3bn net debt compared with a market value of about $1.8bn – after a doubling of the share price this year. On combined group sales of $5bn and assuming it achieves an operating margin of 10 per cent, interest payments would be less than twice covered. A share issue is expected to raise about $800m and the synergy benefits are forecast to add at least $100m to profits. This would push interest cover to around 3 times before any gains from growing sales, about which Federal is unsurprisingly bullish. While the deal makes impeccable industrial sense, the stretched financing leaves the group vulnerable to a downturn. If it was to fall victim, the more conservative groups on both sides of the Atlantic that covet parts of T&N might get their chance to pick it over after all.

BAT/Zurich

Not only is the business logic of the merger between Zurich and BAT Industries' insurance and asset management arms underwhelming; the proposed structure is a bit of a dog's dinner. The combined business will have two holding companies, both with well-stocked boards. One (British) will have 45 per cent of the shares; the other (Swiss) will have 55 per cent. But control will be split 50:50, leaving no one ultimately in charge.

This elaborate corporate Meccano has its reasons. BAT's and Zurich's shareholders are mostly domestic. So opting for a single company, even listed in both places, might result in lots of selling from, for instance, index funds. There would also be tax inefficiencies. But consider also the downside – one needs only glance at Royal Dutch/Shell to see that dual board structures weaken a management's accountability to shareholders. In the extreme situation of a takeover, a bidder would separately have to win over the UK shareholders and the distinctly less ruthless Swiss. In practice, the threat is not real.

Nor is it terribly welcome that the bosses of both businesses emerging from this process, tobacco and insurance, will have chairmen who are also executives. In neither case is the absence of an independent non-executive chairman convincingly explained. True, Kenneth Clarke, BAT's new deputy chairman, is no softy. But with no real commercial experience and demanding interests elsewhere, is he really the man to keep the management on their toes?

Additional Lex comment on WH Smith, Page 23

FT WEATHER GUIDE

Europe today

Norway and Sweden will have rain. Finland will be dry with sunny spells. The Low Countries, Germany, Austria and Switzerland will be mostly dry with sunny spells, with the exception of drizzle along the coasts of the Low Countries.

The north and west coasts of France may have drizzle, but inland it will be warm with sunny spells.

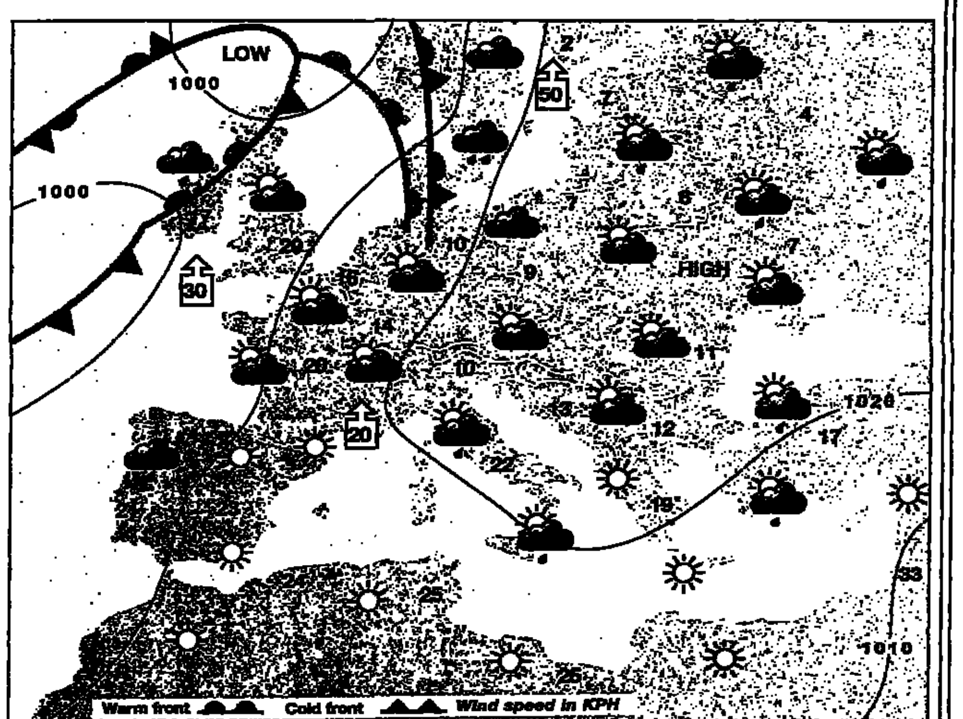
Spain will be sunny, but rain will spread across Portugal later. Italy will be showery.

The far east of the Mediterranean will have showers, although Greece will stay dry.

Eastern Europe will have sunshine and showers.

Five-day forecast

High pressure across most of Europe will bring dry conditions, with some sunny spells over the weekend and in the first half of next week. Scandinavia will become much colder, with rain giving way to snow showers.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum Celsius
Abu Dhabi	Sun 35
Accra	Thunder 31
Algiers	Sun 26
Amsterdam	Cloudy 16
Athens	Fair 19
Atlanta	Rain 17
B. Aires	Shower 17
B.ham	Cloudy 18
Bangkok	Thunder 34
Barcelona	Cloudy 21
Beijing	Sun 21
Belfast	Cloudy 18
Belgrade	Cloudy 12
Berlin	Fair 10
Bermuda	Fair 27
Bogota	Cloudy 21
Bombay	Fair 34
Brussels	Fair 16
Budapest	Fair 8
C.hagen	Cloudy 9
Cairo	Fair 33
Caracas	Fair 32
Cardiff	Cloudy 18
Casablanca	Sun 25
Chicago	Sun 16
Cologne	Cloudy 15
Dakar	Fair 32
Dallas	Sun 23
Delhi	Fair 30
Dubai	Sun 38
Dublin	Rain 18
Dubrovnik	Fair 17
Edinburgh	Cloudy 17
Faro	Fair 23
Frankfurt	Fair 14
Geneva	Fair 15
Gibraltar	Sun 21
Glasgow	Rain 17
Hamburg	Cloudy 10
Helsinki	Cloudy 2
Hong Kong	Fair 30
Honolulu	Fair 31
Istanbul	Rain 15
Jakarta	Fair 33
Jersey	Fair 19
Johannesburg	Thunder 19
Karachi	Sun 34
Kuwait	Sun 39
L. Angeles	Sun 31
Las Palmas	Cloudy 25
Lima	Fair 23
Lisbon	Shower 21
London	Fair 19
Lux.bourg	Cloudy 13
Lyon	Fair 17
Madeira	Cloudy 23
Madrid	Fair 23
Majorca	Sun 24
Malta	Fair 23
Manchester	Cloudy 19
Manila	Thunder 32
Melbourne	Shower 15
Mexico City	Cloudy 24
Miami	Fair 30
Milan	Fair 16
Montreal	Sun 11
Moscow	Showers 4
Munich	Cloudy 11
Nairobi	Fair 25
Naples	Cloudy 20
Nassau	Fair 30
New York	Fair 17
Nice	Cloudy 19
Nicosia	Fair 31
Oslo	Rain 7
Paris	Fair 19
Perth	Fair 23
Prague	Fair 9
Rangoon	Cloudy 33
Reykjavik	Cloudy 4
Rio	Cloudy 24
Rome	Showers 22
S. Frsco	Sun 28
Seoul	Shower 19
Singapore	Thunder 32
Stockholm	Cloudy 6
Strasbourg	Cloudy 14
Sydney	Fair 23
Tangier	Sun 25
Tel Aviv	Sun 33
Tokyo	Fair 22
Toronto	Sun 13
Vancouver	Sun 18
Venice	Cloudy 15
Vienna	Cloudy 10
Warsaw	Cloudy 7
Washington	Rain 18
Wellington	Shower 15
Winnipeg	Fair 18
Zurich	Cloudy 13

FINANCIAL TIMES

COMPANIES & MARKETS

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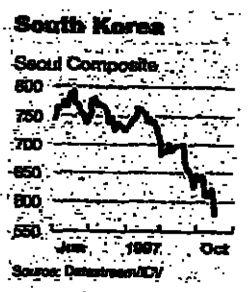
INSIDE

India's paperless revolution jolted

In Bombay's industrial suburb of Dadar, an old shredding machine is destroying millions of share certificates as India prepares for a paperless trading system. The process has been given a turbo-charged boost this week with the surprise announcement by Sebi, India's financial regulator, that institutions will no longer be able to trade in paper shares from January 15. Page 22

South Korea's turn in firing line



The Asian stock markets seem to be taking it in turns to get in the firing line of investor pessimism. After a summer of turmoil in the Asean countries, yesterday attention turned to South Korea, where worries about the threat of corporate bankruptcies have intensified, sending the composite index down 4.2 per cent to its lowest level for five years. Page 36

Russia's unbalanced metal market
There is little chance that demand for aluminium in Russia will pick up for some years. Yet, unless domestic consumption increases, the Russian industry will be unbalanced and heavily biased towards production of primary metal, mainly for export, says a new study of the industry. Page 26

European timber markets recover
European timber markets have staged a recovery this year, but producers still face stiff competition from low-cost suppliers. Page 26

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 26

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
DLW	193	+	4
Holzmann	564	+	13
SAP	499.2	+	9.2
Falls			
Allianz	438.5	–	12.5
RWE	86	–	2.5
Wella	1375	–	75
NEW YORK ($)			
Rises			
Fed Mogul	45⅝	+	3⅝
Medpartners	27¼	+	2⅛
Falls			
Bay Netwk	35	–	2⅛
Cummins Eng	68⅞	–	3⅝
Sears Rbk	49⅞	–	4
Ucar Intl	44	–	1⅞
LONDON (Pence)			
Rises			
BICC	208	+	21½
Datrontech	124	+	16½
Widney	45½	+	5½
Falls			
Chem Design	90	–	20
Marks & Spencer	625	–	10½
TI	565½	–	17½
TORONTO (C$)			
Rises			
Anlyte Cp	10.35	+	0.85
Cassidy's	6.0	+	0.9
Colt Corp	18.25	+	1.7
HCO Energy	10.75	+	0.75
Falls			
Moffat Comms	15.7	–	1.3
Dover Inds	17.0	–	1.0

PARIS (FFr)			
Rises			
Cap Gemini	469	+	34
Casino	354	+	14
Paribas A	470	+	14.3
Falls			
CPR	468	–	8.2
Groupe GTM	380	–	14.9
Technip	731	–	37
TOKYO (Yen)			
Rises			
Asahi Chem	533	+	18
Calsonic	660	+	35
Fuji Spinning	218	+	8
Maeda	422	+	24
Falls			
Nippon Fire	465	–	12
Yamaichi Secs	247	–	11
HONG KONG (HK$)			
Rises			
Beijing Ent	29	+	1.25
Henderson Ld	57.5	+	1.0
HK Elect	28.8	+	1.0
Wheelock	14	+	0.4
Falls			
Cheung Kong	76.0	–	1.75
China Motor	78.75	–	3.0
BANGKOK (Baht)			
Rises			
Regional Cnt	69.0	+	5.0
Safari Wrld	22.0	+	2.0
Thai Wire	16.5	+	1.5
Wilk & Hong	42.0	+	2.0
Falls			
Castle Peak	39.75	–	4.25
Precious Ship	24.5	–	2.5

New York & Toronto prices at 12.30.

Financial services tie-up expected to take a year to get regulatory go-ahead

Zurich sets out terms of £23bn deal with BAT

Rolf Hüppi, chief executive of Zurich (centre), with BAT chief executive Martin Broughton (left) and chairman Lord Cairns. Picture: Ashley Ashwood

By Christopher Adams and David Blackwell in London

Zurich, the Swiss-based financial services group, yesterday revealed the terms of its £23bn ($37bn) merger with the insurance and asset management arms of BAT Industries.

The deal will create Europe's second-biggest insurance company, but is expected to take nearly a year to clear regulatory hurdles and to obtain the necessary clearances from the tax authorities.

The merger is expected to generate annual savings and tax benefits of $250m within three years. The merged company – to be known as as Zurich Financial Services Group, or ZF Group – will pay £500m in cash to BAT and assume £800m of debt.

Zurich shareholders will own 55 per cent of the new company, which will include Allied Dunbar, the UK life assurer, Eagle Star and Threadneedle Asset Management, as well as Farmers.

Two holding companies – Zurich Allied, to be listed in Zurich, and Allied Zurich, listed in London – will own the combined operation.

For BAT, the agreement is the end of a search for a suitable partner for its insurance business. For more than a year, it has sought ways to unlock the value of its insurance and tobacco interests.

The 8m customers of BAT's Farmers, the third-largest personal lines insurer in the US, will be targeted by Zurich's North American fund management businesses.

"The system that we have in place in North America, the UK and continental Europe will provide access to a large customer base. It will open new markets," said Rolf Hüppi, Zurich chief executive.

Lord Cairns, BAT's chairman, said there would be an initial cut in the dividend for BAT shareholders because of the lower payout rate from ZF Group.

Martin Broughton, chief executive of BAT, said the British American Tobacco's separate listing would give UK investors their only opportunity to invest in a large tobacco group.

The tobacco company will be the third-biggest in the world, producing 700bn cigarettes a year covering 240 brands in 180 countries. Joining its non-executive directors will be Kenneth Clarke, the UK's cigar-smoking former chancellor of the exchequer.

After the demerger, BAT's borrowings on a pro forma basis were put at about £4bn. It would have a "prudent but more leveraged balance sheet" that could provide superior value to shareholders.

Interest payments would be covered 10 times at the net level, before taking into account the proposed $368.5bn US tobacco settlement, which it does not expect to be concluded this year.

Shares in Zurich slipped Sfr14 to Sfr612. BAT closed 8½p lower at 592½p. Moody's, the credit rating agency, yesterday put Zurich under review for a possible downgrade from its Aa1 financial strength rating.

Lex, Page 16
Complex construction, Page 23

Generali attempts to justify AGF offer

By Andrew Jack in Paris

The battle for control of AGF, the French insurance group, intensified yesterday when Generali, the Italian insurance group which has launched a FFr55bn ($9.35bn) hostile bid, spoke out publicly in an attempt to justify its offer.

In a rare interview, Antoine Bernheim, the chairman of Generali and a senior partner with the investment bank Lazard Frères in Paris, said the group had a strong industrial strategy for AGF and that its offer at FFr300 a share was fair.

AGF also made its first public comments on the takeover, formally declaring the Generali bid hostile and making a series of criticisms of it.

AGF denounced the value of Generali's bid as "inadequate", said there was a high risk that it was "only a financial move", and argued that it could lead to "the dismantling of the AGF group at the expense of its employees without any gain for AGF shareholders".

In response, Mr Bernheim said the suggestion that Generali would break up the French company was "curious, given that AGF has itself already sold off a significant number of assets, such as its businesses in Morocco and Portugal, and its property arm in France at a big discount".

He rejected the argument that Generali's move was "financial", saying that the Italian group's core business was insurance and that its objective would therefore be to ensure that the insurance activities continued to grow.

He described as "absolutely extraordinary" the argument that the Generali bid of FFr300 a share was inadequate. He said AGF, in its friendly bid launched earlier this month against Worms, the industrial and financial holding company, would issue certificates guaranteeing a value on its own shares of only FFr270 in 2000 - or worth FFr254 in current terms.

AGF argued that the Generali bid did not reflect its strong performance during the third quarter of the year and underestimated the value of the group's life insurance portfolio.

It said it would seek "any other solution that would be more favourable to the interests of the group, its employees and its shareholders".

Compaq reports record earnings

By Louise Kehoe in San Francisco

Compaq Computer surpassed Wall Street estimates to report record sales and earnings for the third quarter. Net income increased 54 per cent and revenues grew 31 per cent.

Sales for the quarter reached $6.5bn, up from $4.9bn in the same period last year. Unit sales were up 56 per cent.

Net income was $562m, or 71 cents a share. This was 3 cents above Wall Street estimates. After a $44m, or 6 cents a share, charge related to Compaq's acquisition of Tandem Computers, net income was $517m, or 65 cents a share.

In the same period last year, Compaq recorded net income of $365m, or 48 cents a share.

"These results reflect record performance for Compaq," said Eckhard Pfeiffer, chief executive. "Our new distribution focus has enabled Compaq's volume to grow more than three times the industry rate while increasing profitability."

In July, Compaq introduced a "build to order" programme for its business personal computer models, in which PCs are manufactured as orders arrive. This approach had reduced costs enabling price cuts, said Earl Mason, chief financial officer. "This produced a giant increase in volume with unit sales increasing by 50 per cent," he added.

In the consumer segment of the market, unit shipments were up 111 per cent in the quarter. "The under-$1,000 products are selling like hot cakes," said Mr Mason.

Compaq had been successful in designing its low-priced PCs to minimise costs, he said. Analysts had been concerned that lower margins in this new category would put a drag on profits. However, after-tax margins on the low-priced PCs were "comparable" to those in other desktop PC segments, Mr Mason said.

Compaq's sales of servers – computers used in corporate networks – were up strongly. Over all, the "enterprise business", which includes workstations and fault-tolerant computers from Tandem, was up 71 per cent in the quarter.

Last month, the company said it hoped to hit revenues of $50bn by 2000, up from its previous goal of $40bn.

Yesterday, Compaq also announced the introduction of its first cash dividend and a two-for-one stock split. Shareholders will receive a dividend of 3 cents a share, or 1.5 cents after the split.

For the year so far, Compaq reported revenues of $17.3bn, up from $14bn in the first nine months of 1996. Net income was $1.19bn, compared with $831m.

Taiwan computer maker to cut sales and profit targets by 20%

By Laura Tyson in Taipei and Paul Taylor in London

Renewed weakness in the market for D-Ram chips – a crucial component in personal computers – has forced Acer, Taiwan's largest computer maker, to cut its 1997 sales and profit targets by 20 per cent.

Acer yesterday said its was cutting its forecasts because of the continued weak performance of memory chip manufacturer TI-Acer, a joint venture with Texas Instruments in which the Taiwanese group holds a 48 per cent stake.

The group had previously set a 1997 target for net profits of T$4bn (US$140m) on sales of T$77.7bn. Last year Acer net profits amounted to T$3.06bn and sales were T$57.5bn.

TI-Acer, formed nine years ago, is Taiwan's leading producer of D-Ram – dynamic random access memory – chips and is due to be floated on the Taiwan Stock Exchange in the first quarter of next year.

It has been investing heavily to upgrade its technology and bolster production to achieve increased economies of scale before the flotation.

The semiconductor joint venture lost T$400m in the first six months of this year because of the decline in memory chip prices.

A worldwide glut prompted a sharp fall in product prices last year and, although prices appeared to have stabilised during the first half of this year, they fell again during the third quarter.

Analysts said yesterday that Acer's profits warning had been anticipated by investors following these latest price declines.

"The D-Ram sector is suffering from oversupply problems, and prices were okay in the second quarter but they fell very fast in the third quarter," said Julia Teng, an analyst with BZW. She added that some D-Ram makers were selling their chips at below cost.

Renewed doubts about D-Ram prices and other concerns have hit Acer's share price in recent months. The share price climbed to T$111.5 in mid-July but has since fallen back, closing yesterday at T$49.8.

Acer has also sustained losses in north America and is in the process of restructuring its US operations where it has faced difficulties selling its Aspire personal computer models through retail channels. "The restructuring is going well but it will take time to produce results," said Ms Teng.

Stan Shih, Acer's chairman, has previously said the group had lost more than US$200m in the competitive north American market. In January, Acer acquired TI's notebook computer business.

Mr Shih said on Tuesday in Singapore that the fall since July in the company's share price was due to losses in the US, poor prices for D-Rams and a correction in the Taiwan stock market. To combat falling D-Ram prices, TI-Acer plans to increase production by shrinking chip size.

Acer should benefit from cost savings at TI-Acer next year and expects to raise about T$1.1bn from the initial public offering.

Shell to spend $500m developing renewable energy

By Robert Corzine

Royal Dutch/Shell, the largest international oil company, is to spend more than $500m over the next five years to expand its presence in solar energy and sustainable forestry projects. This will be the single biggest investment to date in renewable energy resources.

The company, under fire in recent years over its environmental record, has decided to make renewable energy a fifth core activity, ranking it alongside its traditional operations of oil exploration and production, oil products, chemicals and gas and coal.

It will split the $500m between solar and forestry, although extra capital will be made available to fund wind-powered schemes if a current Shell study shows them to be economically viable.

Its spending will include the establishment of new plantations of fast-growing trees such as eucalyptus in the southern hemisphere. These can fuel power plants in rural areas of the developing world.

The Shell move follows a recent announcement by British Petroleum, which vowed to become a world leader in solar energy with a $1bn turnover target by 2010. It also comes just two months before governments gather in Kyoto, Japan, to discuss legally binding targets to reduce the emission of greenhouse gases.

Although the $500m five-year investment plan pales in comparison with the $10bn-$11bn Shell spends each year on capital projects, executives say it is a "step change" from previous commercial investments in alternative energy technologies.

The world market for solar energy is about $1bn a year. But Shell executives say annual growth of 14 per cent means it will be worth $6bn by 2010. Shell aims to capture at least 10 per cent of the world market for the photovoltaic cells that make up solar power panels before 2005.

The use of trees and other vegetation for rural power generation is growing at an annual rate of 15 per cent. The Shell target is to have a combined total of 250MW of such power plants installed by 2005. That is equivalent to only a medium-sized conventional power plant, but Shell executives say there are commercial prospects for large-scale power generation from biomass. They also point to the prospect that demand for energy from renewable sources will grow very strongly from 2020-2025, when production of fossil fuels may reach a plateau.

Jim Dawson, president of the new division, denied Shell's move was a "knee-jerk reaction" to pressure from Greenpeace and other environmental lobbying groups, although he conceded they were "now part of the business backcloth".

Greenpeace said it hoped Shell's commitment to alternative energy would trigger a race between Shell and BP to commercialise solar power. It also called on Shell to withdraw from the Global Climate Coalition of energy companies, which Greenpeace claims is trying to wreck the Kyoto climate change conference.

SGS plans to buy back 15% of shares

By William Hall in Zurich and Jimmy Burns in London

Societe General de Surveillance, the world's leading testing and inspection company for international trade, yesterday announced a big share buy-back programme and replaced the head of its government contracts division in a bid to restore investor confidence.

The moves follow allegations about corruption within the company linked to Benazir Bhutto, former prime minister of Pakistan.

SGS shares have substantially underperformed the Swiss stock market after the loss of two of its most important government inspection contracts, and allegations Cotecna, one of its former subsidiaries, had made commission payments to the Bhutto family.

Elisabeth Salina Amorini, SGS chairman, said yesterday that Hans Fischer, the head of the government contracts division, who had been temporarily suspended pending an internal inquiry into the corruption allegations, had left the company by mutual agreement. He has been been replaced by Serge Pahud, SGS's former finance director and one of Mrs Amorini's most trusted executives.

SGS also announced plans yesterday to buy back and cancel up to 15 per cent of its shares over a two-year period through a series of offers to all shareholders at prices above the market.

The company has been battling with the Swiss tax authorities to overcome the tax disadvantages which prevent Swiss companies from buying back their shares. SGS has net cash of SFr800m ($548m) and wants to redeem stock because it sees it as a good investment.

Mrs Amorini said yesterday that although the tax laws had still not been changed in SGS's favour, she thought it was important to have the buy-back programme in place.

Earlier this month, SGS sold its majority stake in Cotecna back to the previous owners for an undisclosed sum. Mrs Amorini said SGS had bought the company in 1994 as a defensive move to prevent it falling into the hands of a competitor.

SGS last month announced it was launching an internal inquiry into claims that Cotecna had offered to pay a fee of 6 per cent of a contract in Pakistan to Mariston Securities, a British Virgin Islands company in June 1994.

Pakistani investigators say they have identified that Mariston Securities was set up by the Bhutto family.

SGS announced it had bought a stake in Cotecna in June 1994, shortly before it won a five-year contract from the Pakistan government to provide pre-shipment inspection services. Shares in SGS finished up SFr80 at SFr2,905 yesterday.

Hotels chief attacks Hilton

By Scheherazade Daneshkhu, Leisure Industries Correspondent

ITT Sheraton, the hotels division of ITT which is fighting an £8.3bn ($13.5bn) hostile bid from Hilton Hotels, yesterday attacked its predator for allegedly derogatory remarks.

Dan Weadock, president and chief executive of ITT Sheraton, said: "I can see that since they hardly have any hotels outside the US, they'd be salivating to get our presence in Latin America and Europe, where we have the biggest network. Instead of earning that by hard work, they'd rather bad-mouth our management."

Mr Weadock, who was in London to accept an industry award, said Sheraton had had a record year for signing new hotel management contracts and franchises.

It signed 23 new hotels in eight countries yesterday, bringing the total for the year to date to 102 hotels.

Of the 102 hotels, 52 are management contracts, 44 franchises, while 6 are either wholly or partly owned. Mr Weadock said he was confident ITT Sheraton would continue that level of growth by adding another 100 hotels next year.

ITT's shareholders will determine the outcome of the 10-month bid at the company's annual meeting on November 12, when they choose between Hilton's $70-a-share offer or ITT's plan to break itself into three and buy back about 26 per cent of its shares at $70 each.

"As we get down to the short strokes, we want to destroy the perception that these people are trying to create about their [so-called] superior management," said Mr Weadock.

Hilton Hotels said yesterday it stood by remarks that if ITT implemented a three-way split, ITT Destinations – its hotel and gaming business – would be a junk credit with limited growth. "They would be below investment grade and are creating a financially-crippled gaming and lodging company which would destroy shareholder value."

Bre-X shareholders set to sue JP Morgan

By Clay Harris in London

Shareholders in Bre-X Minerals, the Canadian company whose "world record" Busang gold deposit in Indonesia was exposed as a fraud, have been given the go-ahead to sue J.P.Morgan, the US investment bank, and other advisers.

A court in Alberta also froze C$30m (US$21.6m) in cash held by Bre-X and two related companies. It cleared shareholders to sue David Walsh, president, and other directors and officers over alleged insider dealing which the plaintiffs claim netted them about C$140m.

The court gave shareholders permission to seek to put Bre-X into bankruptcy – proceedings that would open to scrutiny all payments to directors and others in the past year. The orders mark a step forward in the tangle of litigation that followed the collapse of Bre-X. Its affairs are the subject of criminal investigation by the Alberta attorney-general and Royal Canadian Mounted Police.

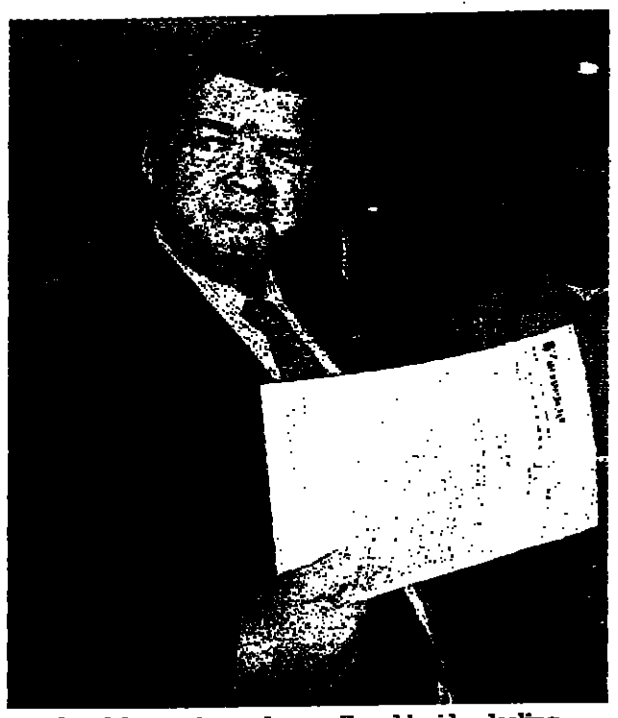
The company's shares, which once traded at C$28 for a stock market value of C$6.8bn, were suspended in May at 2½ cents.

Bre-X last week published extracts of a report it commissioned from private investigators. It said they found no evidence that Mr Walsh and most other Bre-X executives took part in or knew of tampering with test samples from Busang.

Harvey Strosberg, the lawyer representing shareholders, said: "We're not concerned about whodunnit. We're asking who knew or ought to have known." Shareholders were cleared to sue in the name of Bre-X – in spite of the company's objections – J.P.Morgan and Republic National Bank, which acted as financial advisers. Also to be sued is SNC Lavalin, a Canadian engineering company, and three subsidiaries that were involved in calculating Busang's gold reserves.

Suits have been filed in other Canadian provinces and in the US. Mr Strosberg said: "Ultimately there will be one lawsuit and one trial, and that will be in Ontario," the province with the broadest class action legislation.

Lawyers in Texas are trying to have a US suit – in which J.P.Morgan is also a defendant – declared a worldwide class action, even though 85 per cent of shareholders are based in Canada and bought shares on Canadian exchanges.



David Walsh: may be sued over alleged insider dealing

The report published last week blamed a tampering operation lasting more than three years on Michael de Guzman, a senior geologist, who disappeared in March – apparently committing suicide by jumping from a helicopter – and several Filipino co-workers.

BA and Finnair discuss alliance

By Tim Burt in Stockholm

British Airways and Finnair yesterday announced plans to challenge the dominance of Scandinavian Airlines System in the Nordic market by discussing a marketing and network alliance in the region.

The two carriers predicted that, by working together, they could match SAS and Lufthansa, both members of the six-carrier Star alliance, on routes in Scandinavia and Finland.

The proposal marks the latest stage in the battle for customers on intra-Scandinavian routes, once almost the sole preserve of SAS.

In the past year, however, SAS has been challenged by rivals offering lower fares, such as Braathens SAFE of Norway and Maersk of Denmark. It has also seen the arrival of Virgin Express on the Brussels-Copenhagen route and no-frills carrier Ryanair between Stockholm and London.

Ryanair, which flies to Skavsta airport south of Stockholm, earlier this week stepped up its price war against SAS and British Airways by announcing a winter promotion offering two return tickets for SKr990 (£805) compared with the cheapest fare of SKr1,850 offered by its larger rivals.

BA said yesterday that it would explore network co-operation between Finnair routes and BA's intercontinental network.

The talks are also likely to focus on pooling frequent flier programmes and shared lounge facilities.

Finnair, however, emphasised: "A commercial relationship would not require the partners to invest in each other's share capital and no such investments are anticipated."

It added that an alliance, if consummated, was unlikely to have any impact on jobs.

SAS, meanwhile, said it had been successful in defending its market position against the new rivals, although there had been a negative impact on yields.

"We believe our competitors have less than 20 per cent, and more like 10 per cent, of the [intra-Nordic] market," said Jan Stenberg, SAS president.

He added that SAS could withstand further competition by increasing load factors and its proportion of non-business travellers.

Earnings up 5% at Coca-Cola

By Richard Tomkins in New York

Coca-Cola, which warned in August that third-quarter earnings would be only a little ahead of the previous year's level, yesterday delivered the expected 5 per cent increase in earnings to $1.01bn, or 41 cents a share.

Separately, the company said Roberto Goizueta, its 65-year-old chairman and chief executive, remained critically ill in intensive care at Atlanta's Emory University Hospital. He is suffering from complications arising from his treatment for lung cancer.

Coca-Cola's shareholders are accustomed to earnings growth of about 20 per cent, but the latest quarter's figures compared with a quarter in which profits were boosted to $967m by big gains on the disposal of the company's stakes in bottling operations.

Further gains were made on bottling system sales in this year's third quarter, but they were not as large.

Profits were also squeezed by the company's heavy spending on marketing as well as the stronger dollar. This was 11 per cent higher against leading currencies than a year earlier.

Coca-Cola's shares were badly hit by its profit warning two months ago as worries set in that its record of strong, reliable earnings growth was under threat. They fell from their 52-week high of $72⅝ to a little over $60, and have stayed around that level.

Yesterday they were up $$\frac{5}{16}$$ at $60⅝ in early afternoon trading as investors took comfort from volume figures showing that the quantity of soft drinks sold around the world rose by a robust 11 per cent in the third quarter, beating the company's prediction of a 9-10 per cent increase.

Volume rose by 6 per cent in the US, about twice the growth rate of the US soft drink industry, and by 7 per cent in the whole of North America. Latin America volume rose 14 per cent, greater Europe by 16 per cent, Africa by 13 per cent and the Middle and Far East by 10 per cent.

In spite of the big volume increases, group revenues rose only 6 per cent to $4.95bn because of the sale of the bottling operations and the strength of the dollar.

Banco Popular rises 6.6% to Pta49bn

By Tom Burns in Madrid

Banco Popular, the Spanish bank, yesterday reported a 6.6 per cent rise in net attributable income to Pta48.8bn ($322.2m) in the first nine months of the year.

The result, just ahead of forecasts, was attributed to lower provisioning which offset a continuing squeeze on margins prompted by falling interest rates.

Net interest income slid 4.5 per cent year-on-year to Pta127.6bn, and 4.1 per cent when the third quarter is measured against the second. The fall was worse than expected and reflected the impact of falling interest rates on a highly capitalised bank such as Popular – a net lender on the interbank market. Average three-month rates on the money markets have fallen over the past year from 7.78 per cent to 5.50 per cent.

Popular posted an almost flat operating profit of Pta91.1bn, a 0.49 per cent increase year-on-year and one of 1.5 per cent comparing the third and second quarters.

The bank has stepped up its lending business and reported a 12.6 per cent rise in its loan portfolio since September 1996 to take advantage of Spain's expansive economic cycle.

Lending was up 24 per cent year-on-year in the leasing business and mortgage-backed loans grew 32.2 per cent. Net provisions for bad and doubtful loans totalled Pta13.3bn at the end of September, 17.7 per cent less than a year ago. The ratio of non-performing loans fell over the 12-month period from 2.29 per cent to 1.68 per cent.

Publicis heiress receives offers for stake

By Andrew Jack in Paris

One of the daughters of the founder of Publicis, the French advertising agency, claims to have identified several investors willing to buy her stake in the group.

The move would be part of efforts which could lead to an important restructuring of Publicis' capital.

Michèle Bleustein-Blanchet said yesterday SBC Warburg, her investment banking adviser, had received offers for her nearly 20 per cent direct and indirect stakes in Publicis.

She said she would be willing to sell at a discount of 15-17 per cent of Publicis' quoted value, but not at the 30-35 per cent discount she says she was offered by her sister Elisabeth Badinter, chairman of the group's supervisory board.

As discussions with potential buyers continued, Ms Bleustein-Blanchet stressed that she would pursue her legal action to dissolve Somarel, the family holding company through which she holds most of her Publicis shares, and which owns 38 per cent of the quoted group.

The action follows the breakdown in discussions with her sister over the sale of the stake.

She argues that the way in which Somarel conducted business was illegal, and that the growing proportion of power and shares given to Ms Badinter since the 1970s infringed France's inheritance laws.

However, she maintained her confidence in Maurice Lévy, chairman of Publicis, and said she would be willing to support the sale of her shares to a single buyer or group of buyers associated with him.

She said she had requested pre-emption rights on a proportion of the shares in Somarel that her niece, who holds a 14 per cent stake, wants to sell.

Ms Bleustein-Blanchet, who lives in Switzerland, said she planned to use the funds raised from the sale of her stake – which she valued at FFr700m-FFr900m ($119.2m-$153.3m) – for "humanitarian" causes, possibly by the creation of a foundation.

INTERNATIONAL NEWS DIGEST

Daimler to buy missile stake

Germany's Daimler-Benz Aerospace said yesterday it had signed a contract for the Anglo-French venture Matra BAe to buy a 30 per cent stake in its LFK missile unit. The deal with Matra BAe Dynamics – a joint venture between Lagardère and British Aerospace – marks the first fruits of a strategic alliance forged by Dasa and Lagardère in May.

The move follows Lagardère's failure this week to win control of Thomson-CSF, the state-controlled defence electronics group, when the French government decided to back rival Alcatel Alsthom. Christian Breitsprecher of Dasa said talks were continuing over merging its space activities with Matra Marconi Space, a 51:49 venture between Lagardère and GEC of the UK. *Reuters, Munich*

■ UTILITIES

Endesa reassures investors

Endesa yesterday sought to reassure institutional investors that a boardroom row threatening the Spanish power group's strategic alliance with Enersis, the Chilean electricity company, was a "storm in a tea cup". Rafael Miranda, chief executive, said the dispute would have no economic impact on Endesa as it finalises a Pta800bn ($5.4bn) partial privatisation.

"We own the largest single stake in Enersis and that makes us the controlling shareholder," Mr Miranda said. "The agreement with Enersis is solidly in place." Endesa paid about $1.5bn in August for a 29 per cent stake in the Chilean company. A boardroom revolt against José Yuraszeck, Enersis general manager and architect of the alliance, broke out this week ahead of Monday's completion of the placement of 25 per cent of Endesa. "The book is growing stronger not weaker, despite all the Enersis noise," a banker close to the placement said.

Tom Burns, Madrid

■ BANK MERGER

Vereinsbank eyes acquisitions

Acquisitions will play an important role in the growth of the bank being created by the merger of Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank, Albrecht Schmidt, chairman of Vereinsbank, said yesterday.

However, he said any addition to the Munich-based bank – to be called Bayerische Hypo- und Vereinsbank and to start operations next autumn – would have to be capable of achieving a net return on equity of 15 per cent, the overall target for the merged bank. The two Bavarian banks are about to embark on a series of international roadshows in connection with a DM3bn ($1.7bn) capital increase at Vereinsbank as the next stage of the merger.

Andrew Fisher, Frankfurt

■ ENGINEERING

Deutsche Babcock confirms talks

Deutsche Babcock, the lossmaking German engineering group, has confirmed it is in negotiations over merging its power station technology division with a subsidiary of Philipp Holzmann, the construction company. The merged operation would have turnover of about DM3bn ($1.7bn). Deutsche Babcock said the division made a profit of DM89m in the year to September 1996.

Separately, Deutsche Babcock said that in the year to September, it had achieved its goal of halving losses from the DM434m reported for the previous period. It confirmed plans for 1997-98 to show break-even. Deutsche Babcock is undergoing a restructuring under Klaus Lederer, who took over as chief executive in February.

Ralph Atkins, Bonn

■ MINING

GFSA falls 11%

A poor quarterly performance from Gold Fields of South Africa, the world's third largest gold producer, has fuelled expectations of a far-reaching change in management when its gold operations are merged with Gencor next year. Analysts were disappointed by an 11 per cent fall in profit after tax to R171.4m ($214m), in spite of a 3 per cent rise in gold production.

Gerhard Kemp, analyst at BoE NatWest, blamed the decline on the group's reluctance to enter the forward sales market. The average gold price received fell from R49,406 in the June quarter to R48,200 in the three months to September 30. This was about 10 per cent below the average price received by Anglo American, the mining house which is among the strongest advocates of forward selling. *Mark Ashurst Johannesburg*

■ EAST EUROPE

Arctic sell-off completed

The Romanian State Ownership Fund has sold a 51 per cent stake in Arctic, the largest Romanian refrigerator maker, to the European Bank for Reconstruction and Development and Société Générale Romania Fund as part of the country's accelerating privatisation programme. The co-investors will pay an initial $11.5m for the stake, but this will be raised by 10 to 30 per cent if the company meets key profit and sales targets during the next two years.

About 49 per cent of Arctic shares are already in private hands, making the company the first on the Bucharest stock exchange with 100 per cent private ownership.

Kevin Done, East Europe Correspondent

■ The offer of shares in OTP, Hungary's largest bank, to domestic small investors closed a day early yesterday, more than three times subscribed. APV, the state privatisation agency, is selling its remaining 25 per cent stake in the bank for a nominal price of Ft7bn ($36m).

Anatol Lieven, Prague

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GTE bids for MCI: FT reporters examine the implications of the $28bn all-cash offer

■ HOW THE OFFERS COMPARE – By Alan Cane

Investors weigh competing bids

MCI shareholders assessing the relative merits of two giant rival takeover offers from WorldCom and GTE face a daunting task.

WorldCom is a brash newcomer growing quickly through acquisition, but one which many analysts believe is best fitted to compete in the complex telecoms world of the future.

GTE is an old-style, utility-minded operator once reviled for its antiquated attitudes and equipment. But it has been revitalised through investment in technology and the exploitation of a loophole in US telecoms regulation which allows it to compete both in local and long-distance markets.

Shareholders will have to decide whether the technological, geographic, regulatory and cultural factors behind WorldCom's all-paper $30bn bid render it superior to GTE's all-cash $28bn offering.

A key factor is whether WorldCom can maintain the performance which has seen $100 invested in its common stock in 1989 rise to $3,137 in 1997, compared with $191 for British Telecommunications and $132 for MCI.

Richard Siber, an Andersen Consulting telecoms specialist based in Boston has no doubts: "Cash is king," he says. "The GTE offer is very attractive." Charles Lee, GTE chairman, unsurprisingly agrees: "A cash offer of $40 a share is far superior to a volatile security."

The shareholders' dilemma is to decide whether WorldCom can live up to the lofty multiple of 40 times expected earnings on which its bid is based.

WorldCom claims its bid is superior because of higher synergies and a higher probability of market success based on the company's growth and record of successful mergers. It also claims it is a strategically good fit with MCI.

GTE Corporation

$bn	Sales	Net income
[illegible]	[illegible]	[illegible]
1996	21.3	2.8
[illegible]	[illegible]	[illegible]
1994	19.9	2.4
[illegible]	[illegible]	[illegible]

* 1st 9 months. Source: company

An important element in the value of both bids will be the synergies to be gained from networking efficiencies – eliminating the need to duplicate networks or to pay interconnection fees to other operators.

WorldCom believes it can save almost $4bn in 1999, rising to $6bn in 2002. It argues that it has always delivered the synergies promised on each acquisition it has made.

GTE's calculations are less well developed. It is suggesting that a combination of synergies and increased revenues will lead to a $1.6bn-$2.2bn improvement in profitability in 2000.

Corporate culture is another key issue. While MCI was a trailblazer at one stage, analysts argue it is now closer in style to the former local telephone company GTE than to the swashbuckling WorldCom.

Mr Lee agrees: "Our two cultures work together extremely well. We both emerged from the shadows of the Bell system. We know MCI very well – it is our second largest customer."

Technically, both companies have invested heavily in networking technology and, in particular, in the data communications systems for internet transmission and access. Both would fit well with MCI's advanced internet backbone. Analysts point out, however, that WorldCom-MCI merger would lack a mobile telephone business. GTE has the fifth largest cellular business in the US.

The deal has been seen very much in terms of the US market. But both GTE and WorldCom have global ambitions.

Michael Masin, GTE vice-chairman responsible for international activities said: "Our vision is that this is a global business. You have to have a capability to serve customers and serve their national and multinational needs. We have operating companies around the world, principally in the US, but also in Asia. What we bring is a global capability to combine with MCI in the way in which no other US telecoms company can."

Some analysts point out that GTE would be, in its current state, no help to a combination of BT and MCI in providing end-to-end business connections.

Its local access is, with a few exceptions, in areas with few big business customers.

GTE argues, however, that its local access is on the periphery of large metropolitan areas. It is not difficult, it says, to provide access to big customers in the cities while maintaining the switching technology outside.

A little understood technology issue is MCI's ownership of Systemhouse, a large, Canada-based information technology group which is well equipped to develop customer applications.

Neither WorldCom nor GTE have such a subsidiary. BT, however, has Syntegra, a similar IT company. The original plan was to combine Syntegra and Systemhouse to create a $2bn IT powerhouse capable of competing with companies like IBM and Andersen Consulting.

The way the telecoms world is changing, ownership of such a facility is likely to provide a powerful competitive advantage. Fibre optic cables and internet backbones are by no means the whole story.

Additional reporting by Nicholas Denton in San Francisco

Seeking to call the tune: Charles Lee of GTE (left), BT's Sir Peter Bonfield (centre), and Bernard Ebbers of WorldCom

Record bid will add to GTE debt

If GTE's all-cash $28bn offer for MCI goes ahead, it would not only top Philip Morris's $13.4bn cash bid for Kraft in 1988; it would also set new records for debt financing, writes Tracy Corrigan in New York.

Although GTE has indicated that a negotiated deal may be financed partly by stock, it is still likely to have to borrow heavily to complete such a bid, adding to its existing net debt of $16bn.

There are two main methods of debt financing available: the public bond market and the bank loans market.

According to Securities Data, the largest corporate bond issue was an RJR Holdings $4.1bn junk bond issued in May 1989. Because it is a utility business with a strong cash flow, bond traders said yesterday that GTE would be able to issue a much bigger bond offering, probably topping $10bn.

Even if it finances the whole bid in debt, the merged GTE-MCI would still have operating profits sufficient to cover its interest payments more twice over, before any merger cost savings.

However, GTE bond spreads – the gap between GTE bond yields and US Treasury bond yields – have been hit by the prospect of GTE's worsening credit rating and potentially huge debt burden. This has pushed up the cost of servicing any new debt. As well as GTE's $16bn of debt, MCI, its target, has a further $5bn.

The yield spread, relative to the US Treasury market, of GTE's outstanding 12-year bonds widened from 68 basis points to 87 basis points on Wednesday, after the news of the bid was announced.

However, the spread bounced back on Thursday, to about 80 basis points, partly as a result of speculation that British Telecommunications might raise part of the financing.

Standard & Poor's yesterday placed GTE's debt ratings on CreditWatch with negative implications.

GTE's long-term bonds are currently rated A by S&P and A3 by Moody's. It has some $17.6bn of bonds outstanding.

As well as raising money in the bond market, GTE could also ask at least one of its relationship banks – Chase, Citicorp and Bank of America – to arrange a syndicated loan, as well as some bridge financing which could be refinanced in the bond or equity markets shortly after the completion of the deal.

In such cases, banks are sometimes asked to write letters reassuring bid targets and their shareholders that they would be able to raise the necessary financing. But no such letter is known to exist relating to GTE's bid.

■ BT'S OPTIONS – By Alan Cane

Three-way deal possible

The $28bn cash bid by GTE for MCI has raised the intriguing possibility of a three-way deal between the two US companies and British Telecommunications, which started the bid war rolling with its own bid for MCI almost a year ago.

Such a link has been mooted before. The three companies have discussed the possibilities in the past, without coming to a decision. As one observer notes, "GTE has been waiting to do something with MCI for years."

GTE's record-breaking bid seems to have been spurred by WorldCom's unexpected $30bn attempt to trump BT's offer for MCI, the second-largest US long-distance operator.

Analysts speculate that if the BT-MCI merger had gone through, GTE would have been an early target for a strategic three-way alliance – which would have been well placed to increase its share of the US long-distance and local telecoms markets.

But if MCI is acquired by WorldCom, GTE will have forfeited an important – perhaps unique – potential ally in its attempt to increase its share of the US long-distance market before the "Baby Bells", the local operators, find their feet in the long-distance business.

GTE did not consult BT – which already holds a 20 per cent stake in MCI – about its bid and the two companies have not had discussions since WorldCom made its offer. However, the UK operator seems to have had prior knowledge that an approach was in the wind.

> BT seems to have taken heart from GTE chairman Charles Lee's letter to his counterpart at MCI, Bert Roberts, in which Mr Lee talks about an 'important relationship with British Telecommunications'

The GTE bid could be construed as a further blow to BT's global strategy, putting MCI beyond its reach. But it seems to have taken heart from GTE chairman Charles Lee's letter to his counterpart at MCI, Bert Roberts, in which Mr Lee talks about an "important relationship with British Telecommunications".

The implication is that the three companies may be able to resurrect the strategies for co-operation covered in their earlier discussions. In that sense, the takeover plans have been reversed, with GTE now in the driving seat.

BT, however, now sees itself as the gatekeeper rather than the kingmaker, with a powerful role in deciding which suitor wins MCI's hand. This confidence, analysts say, is based on conditions, or "poison pills", in the fine print of its various agreements with MCI. Analysts say BT could delay a hostile bid for MCI by up to a year – a lifetime for a fast-moving company like WorldCom.

There are two other poison pills. BT, because of its 20 per cent shareholding in MCI, can refuse to allow a hostile takeover to proceed on "pooling of interests" terms which would afford WorldCom significant savings.

Furthermore, a penalty of $450m would be payable if MCI broke off negotiations with BT to pursue a better offer.

The four companies are currently in stalemate. Neither BT nor MCI are able to open discussions with third parties because of the terms of their merger agreement.

The first step in moving the process forward would be for BT and MCI to free each other from this restriction through a mutual exchange of letters. This would enable MCI to start discussions with WorldCom and GTE, and BT with GTE.

Whatever the outcome of the eventual discussions, analysts are convinced that BT remains committed to a presence in the US market.

As the world's fifth largest operator, it has a wide range of options. For example, it could collect the profits from the sale of its MCI stake for reinvestment elsewhere; or it could conclude a new alliance with any one of a number of US operators anxious to be its "special friend".

■ US TELECOMS INDUSTRY – By Richard Waters

Wall Street's eyes turn to Sprint and AT&T

If putting together the pieces of the fractured US telecommunications industry is like trying to piece together a jigsaw, then GTE's surprise grab for MCI Communications has just made the puzzle much more complicated.

Depending on the outcome of the three-way fight for MCI, this week's development may encourage other companies to act quicker than they otherwise would have, or help force together carriers which had not seemed likely partners before.

Top of the list of loose jigsaw pieces thrown up by the GTE move, at least in Wall Street's eyes, is Sprint, the third-largest long-distance carrier with about 10 per cent of the national market. Either GTE or WorldCom – and possibly both – will emerge unsuccessful in their bid to acquire MCI, leaving Sprint a prime candidate for a deal, according to this line of thought.

Sprint's ultimate fate, however, remains clouded by the 20 per cent of its stock owned by Deutsche Telekom and France Telecom, the German and French national carriers. These holdings are seen as potential deterrents to any unwelcome bid.

Equally in the firing line have been the independent local access providers such as Teleport and ICG, which have built their own local networks in large metropolitan areas.

GTE's bid for MCI has done little to change the outlook for these companies, however.

Their attractions to long-distance carriers wanting to enter the local market have been apparent for some months, leading to a sharp jump in such stocks even before WorldCom emerged as a bidder for MCI.

The most intriguing question to emerge from the latest bid, is what effect it may have on the plans of AT&T.

To some degree, the prospect of a long fight for MCI would suit AT&T, tying up the top management of three of its biggest domestic rivals for months.

In addition, GTE's management is seen on Wall Street as far less aggressive and entrepreneurial than that at WorldCom – a factor that could hamper MCI's efforts to remotivate its sales staff after a difficult few months in which its long-distance market share has flagged.

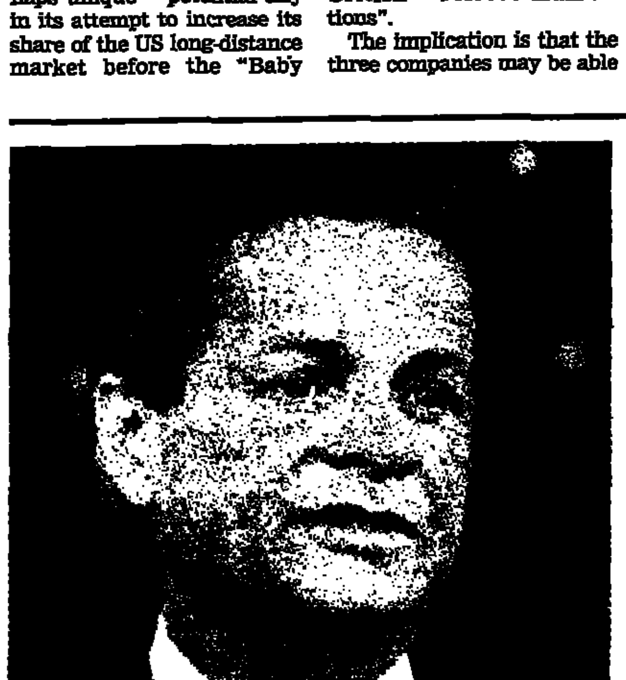
"They [AT&T] might well prefer to compete with a GTE/MCI combination than a WorldCom/MCI," says Anna-Maria Kovacs, an analyst at Janney Montgomery Scott.

That might reduce the competitive threat that AT&T would otherwise have faced from WorldCom.

However, it would not change the broad strategic picture: that AT&T would lack local market access at a time when others were assembling giant combines of local, long-distance, internet and wireless services.

That could help create the conditions for a combination that was mooted briefly last month: one between AT&T and WorldCom.

Bernard Ebbers, WorldCom's chief executive, revealed that he had made a merger approach to AT&T – only to be snubbed. But if his latest intended acquisition target is snatched away, then such a deal might once again become possible.



Robert Palmer: encouraged by the group's performance AP

Digital returns to the black

By Louise Kehoe in San Francisco

Digital Equipment, the US computer group, returned to profit in its first quarter, and yesterday signaled continuing improvements in the current quarter.

First-quarter net income was a modest $25m, or 11 cents a share, but this represented a turnround from losses of $66m, or 48 cents a share, in the same quarter last year. Revenues were $2.96bn, up 2 per cent from $2.91bn a year ago.

Digital's product sales were up 4 per cent, at $1.58bn, while services revenues declined slightly.

"Given the seasonal factors that traditionally affect our first quarter, I am very encouraged by our performance," said Robert Palmer, chairman and chief executive.

Vin Mullarkey, chief financial officer, said: "We expect a very significant improvement in earnings" in the year ahead.

The key to Digital's return to revenue growth had been changes in the company's sales and marketing approach, said Bruce Claflin, executive vice-president.

Digital had reorganised its sales force to focus on "enterprise solution selling". Previously, the company's business units had each had their own marketing operations.

While designed to enable the company to compete more effectively in specific market segments, the result had been a fragmenting of the sales and marketing effort, said Mr Claflin.

He admitted that repeated reorganisations had demoralised Digital's sales force last year, but he said the situation had now stabilised. Attrition rates in the sales-force, which had reached "alarming levels" a year ago, were down to a "single-figure percentage".

In spite of the earnings and sales improvements in the first quarter, the results provided further evidence of the limited success of Digital's flagship Alpha microprocessor.

Sales of Alpha servers were up 17 per cent. However, sales of servers based on microprocessors from Intel, the semiconductor leader rose 70 per cent.

Digital's shares dropped $1⅛ to $49¼ in mid-session yesterday.

Bid battle looms at Lin Television

By Richard Tomkins in New York

A takeover battle looked set to break out over Lin Television, the US television network, yesterday after the company announced that it had received a higher bid than the $1.4bn in cash offered by Hicks, Muse, Tate & Furst, the Texas buy-out company, two months ago.

Lin Television said its directors had received a transaction proposal from an undisclosed party offering to acquire all of its common stock, 46 per cent of which is owned by AT&T.

It said the board had authorised management and its legal and financial advisers to open discussions with the party.

Hicks Muse had no immediate response to the development yesterday, but Lin Television's shares rose sharply on the Nasdaq automated market amid speculation that a takeover battle could follow.

Lin Television owns and operates eight network-affiliated television stations, and also operates four other stations under local marketing agreements. Hicks Muse's offer for the company was intended to set the stage for a big expansion of the company's growing portfolio of US television and radio broadcasting interests.

Last year Hicks Muse made its first foray into the television industry by launching Sunrise Television as a holding company for the acquisition of smaller television stations serving the 50th to the 150th biggest markets in the US. It subsequently bought four small stations for $160m and agreed to buy another three for $45m.

In August, Hicks Muse said Lin Television would serve as the vehicle for acquiring bigger television stations serving the top 50 US television markets.

Some 45 per cent of Lin's stock is owned by AT&T, which acquired the interest as part of its purchase of McCaw Cellular Communications in 1994.

AT&T announced in December that it was considering selling its stake, generating bid speculation that had driven up Lin Television's share price.

Worries over competing drug hit Merck shares

By Tracy Corrigan in New York

Merck's shares slid 5 per cent after its third-quarter earnings came in slightly below analysts' estimates and the growth of its cholesterol-lowering medicines slowed.

The US-based pharmaceuticals giant reported earnings per share of 99 cents a share, just below analysts' estimates of $1, according to First Call, which collates estimates.

But analysts said that of greater concern was the impact of a new competitor, Lipitor from Pfizer and Warner-Lambert, on sales of Zocor and Mevacor, Merck's cholesterol-lowering drugs. According to Merck, sales in Zocor rose 24 per cent to $900m, while sales in Mevacor slid 16 per cent to $265m.

The drugs, which now command more than a 40 per cent market share worldwide, account for more than a third of Merck's prescription drug business, according to Hemant Shah, an analyst at healthcare specialist HKS. "The issue is not how well Zocor did in the third quarter but how it will do in the fourth quarter and in 1998, because the impact of Lipitor is just beginning to show up," he said. Lipitor was introduced earlier this year and is now being launched in Europe.

Merck said that the cholesterol-lowering market continues to grow at more than 20 per cent a year in large markets.

Merck's net income for the third quarter rose 19 per cent to $1.2bn, on sales of $5.9bn, up 19 per cent.

"Sales growth for the quarter and the first nine months of 1997 continued to be led by established major products, newer product introductions and the Merck-Medco managed care business," said Raymond Gilmartin, chairman, president and chief executive of Merck.

The Merck-Medco managed-care business recorded significant prescription volume growth in the first nine months, the company said.

Foreign exchange movements reduced sales growth in the third quarter by two percentage points, compared to one percentage point in the second quarter.

A $213m gain on the sale of its crop protection business was largely offset by a $127m loss on the sale of assets and other costs.

Among new drugs, Singulair, Merck's new once-a-day tablet for controlling chronic asthma in adults and children, has received marketing approval in Mexico and Finland, and is under review by the US Food and Drug Administration.

Merrill Lynch
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Order-driven electronic trading comes to the London Stock Exchange on Monday. Today, Merrill Lynch has a simple message for clients planning to spend the weekend worrying about it: don't. Institutional Fund Managers recently voted us No.1 in the UK for sales, sales trading and market making,* and our client focus will be as sharp as ever when the new system starts. We are fully committed to making electronic trading work for all our clients. We are also fully prepared to continue providing liquidity to our clients. As everyone in London gets to grips with a different way of trading, commitment like this will make a deal of difference.

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COMPANIES AND FINANCE: INTERNATIONAL

Mitsukoshi chief resigns over deficit

By Gwen Robinson
in Tokyo

The chairman of Mitsukoshi, one of Japan's leading department store operators, resigned yesterday to take responsibility for the company's Y44.6bn ($367m) extraordinary loss taken in the first half.

Mitsukoshi announced Yoshiaki Sakakura's resignation after reporting an unconsolidated after-tax loss of Y33.7bn for March-August, including the extraordinary loss due to the failure of a golf course development *project overseen by a Mitsu*koshi subsidiary.

The wholly-owned subsidiary, Leo Enterprises, was involved in golf course developments in the Tokyo metropolitan area. The company incurred huge unrealised losses due to the decline in property values after the collapse of the speculative "bubble" in the early 1990s.

Mitsukoshi said it had not yet chosen a replacement for Mr Sakakura, who joined Mitsukoshi in 1946. In 1973 Mr Sakakura surprisingly left Mitsukoshi to become *vice-president of Seibu*, a rival department store operator. After becoming president of Seibu, he returned to Mitsukoshi in 1984 and took the chairman's post in 1995.

He pursued a steady development strategy, overseeing the expansion of Mitsukoshi's international sales network and establishing a joint purchasing system with Daimaru department store.

It was not known yesterday whether Mr Sakakura would leave his post as head of the Japan Department *Stores Association*.

Mitsukoshi's first-half results also reflected the April 1 sales tax increase, from 3 per cent to 5 per cent.

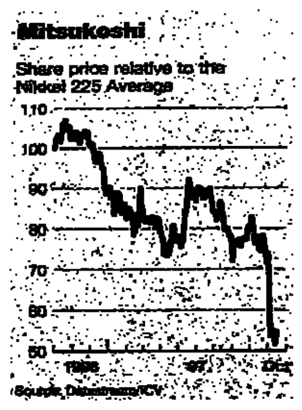
In the half-year, Mitsukoshi's unconsolidated pre-tax profit tumbled 25 per cent to Y3.07bn and parent sales dropped 2.7 per cent to Y369.6bn.

Operating profit, meanwhile, tumbled 49 per cent to Y2.4bn.

The company blamed the results on the sales tax increase and said items such as clothing, food and luxury *goods were particularly hard* hit. Efforts to restructure and streamline operations were unable to offset the impact of the sales decline, it added.

Mitsukoshi said it expected pre-tax profits for the full year to February to fall 11.2 per cent from Y9.5bn and sales to decline 1.3 per cent to Y757bn. It forecast an after-tax loss of Y32bn, against last year's profit of Y3.4bn.

Dividends would remain unchanged at Y6.



Convenience stores buck Japan sales trend

By Gwen Robinson

Convenience stores in Tokyo continued to defy the drop in sales suffered by Japan's other troubled retailers, recording robust first-half profits as both directly-operated networks and franchised outlets expanded.

Seven-Eleven Japan, the largest of the top three convenience store operators listed on the Tokyo stock market, reported record profits and sales in the March to August period. Pre-tax profit grew 6.8 per cent to Y59bn ($486m) on operating revenue up 11 per cent at Y142bn.

FamilyMart saw pre-tax profit grow 12.5 per cent to Y12.9bn and operating revenue rise 12.5 per cent to Y63.2bn.

Ministop, the smallest of the three listed operators but seventh on overall rankings in the convenience store industry, reported pre-tax profit up 30 per cent to Y3.5bn. Operating revenue advanced 24 per cent to Y15.9bn.

Lawson, which is unlisted but ranks just behind Seven-Eleven in terms of sales, recorded a 12.8 per cent rise in sales to Y556.2bn, but did not disclose profit.

Operating revenues for the three listed stores include sales at directly-operated stores as well as consultancy fees from franchisees.

Seven-Eleven, owned by supermarket operator Ito-Yokado, saw strong growth in sales of fast food, computer game software and pocket-sized game machines. Its profits outstripped those of its parent, which yesterday reported interim pre-tax profit down 3.3 per cent to Y37.3bn. Operating revenues rose 1.2 per cent to Y782.5bn.

Ito-Yokado said the sharp fall in consumer spending as well as higher operating expenses cut profitability. On a consolidated basis, pre-tax profit fell 1 per cent to Y114bn; operating revenues grew 4.8 per cent to Y1,569bn.

The company expects full-year pre-tax profit growth of 2.7 per cent to Y218bn on a 6.5 per cent increase in consolidated revenue to Y3,216bn.

The three top convenience store operators said they expected strong profit and operating revenue growth for the full year.

By comparison, department stores and supermarket chain operators have seen a steady decline in sales since the April 1 sales tax increase from 3 per cent to 5 per cent.

Purchases help Ranbaxy advance 24% midway

By Mark Nicholson
in New Delhi

Firm domestic sales and the contribution of acquisitions boosted Ranbaxy, India's largest pharmaceuticals company and second biggest by domestic sales, to a 24 per cent rise in after-tax profits.

For the first half to September, the surplus jumped from Rs773m to Rs965m ($26m). Turnover rose 19 per cent to Rs6.5bn, against Rs5.4bn, underpinned by a 29 per cent rise to Rs3.9bn in sales of bulk and generic drugs in the Indian market.

Export earnings saw a more modest 6 per cent rise to Rs2.6bn.

Ranbaxy sells bulk and branded dosage drugs in 40 countries and manufactures in seven. It is the largest foreign exchange earner in the Indian pharmaceutical industry.

Contributions from Croslands and Gulfic, both acquired last year, helped raise domestic market share to 5.2 per cent, against 3.6 per cent last year, consolidating Ranbaxy's second place in India to Glaxo. Though the company gave no breakdown of Gulfic's contribution, it put Crosland brand contributions at Rs430m.

Analysts said the results were in line with expectations.

Total expenditure rose 18 per cent to Rs5.2bn. The company said it had released an additional Rs500m over the first half through tighter management of working capital – an issue for which the company has been criticised by investors and analysts.

It said it had gained efficiencies through better control of its supply chain, reviews of capital expenditure and cuts in receivables.

The company, which also produces animal health products, diagnostics and laboratory chemicals, said the share of dosage drugs had risen to 63 per cent of overall drugs output, against 55 per cent last year, with a corresponding fall in sales of bulk drugs.

"Our focus continues to be to add value by converting bulk products into dosage form," said Parvinder Singh, chairman and managing director.

Hong Kong, Australia in debt clearing systems link

By Louise Lucas
in Hong Kong

Hong Kong's ambitions to develop its debt market took a step forward yesterday with the introduction of a securities lending programme and a tie-up with Australia's debt clearing systems.

The bilateral link with Australia, designed to facilitate cross-border debt trading and reduce settlement risk, is expected to pave the way for similar deals.

Joseph Yam, chief executive of the Hong Kong Monetary Authority, Hong Kong's de facto central bank, said talks were already in progress with the People's Bank of China and the Reserve Bank of New Zealand.

"Our objective is to set up more such links with other systems in the region, and encourage others to set up similar links, eventually forming a tight network, which is our vision of an Asiaclear," he said.

This would stimulate Asian debt markets in the same way that Euroclear boosted the Eurobond market in the late 1960s.

The HKMA's second initiative, the securities lending programme, is being launched by Hong Kong's debt clearing and settlement system, the Central Moneymarkets Unit.

It aims to increase liquidity by enabling traders to borrow private sector debt paper from other members, such as institutions holding securities for the longer term, to cover short positions. The programme reflects the fact that the liquidity of private sector issues in Hong Kong is thin, and investors who buy and hold debt account for a large part of the investor base.

Mr Yam said the programme would make settlement of CMU instruments more efficient and enhance yields.

Although it is Asia's biggest and most liquid stock market outside of Japan, Hong Kong has failed to develop a strong debt market. At 23 per cent of gross domestic product, the debt market still lags far behind the banking sector, where total assets represent 660 per cent of GDP.

INTERNATIONAL NEWS DIGEST

Chiao Tung Bank in US bond issue

Chiao Tung Bank will be the first Taiwan bank to go to the US bond market with its US$300m 10-year Yankee issue, scheduled for launch next month. A Yankee issue is a dollar-denominated bond issued in the US by a foreign company or institution. "There are only scanty amounts of A1 issuers from Asia. Chiao Tung's issue should do well if the lead prices it right," a trader at a European investment bank said.

Joseph Chan, head of bond trading at Crédit Lyonnais, said the high-grade bond's scarcity value would help to bolster the tone of the issue. Moody's Investors Service assigned A1 to Chiao Tung's long-term foreign currency debt rating. Merrill Lynch is widely tipped to be the lead manager for the deal, but both Merrill and the issuer were not available for comment.

The outstanding nine-year Yankee bond of A1-rated Malaysian-based Petronas was trading as low as 65 basis points before the recent Asian currency turmoil, and it has widened to as high as 90 basis points over the past few weeks as the ringgit hit new lows.

Traders said the Chiao Tung issue was likely to be priced at a spread much lower than that at which Petronas was trading, given Chiao Tung's much better credit outlook. *Reuters, Hong Kong*

■ AUTOMOTIVE PARTS

Siemens to take 10% Breed stake

The consolidation of the world car parts business has accelerated with an agreement by Siemens, the German industrial group, to buy 10 per cent of Breed Technologies of the US. The acquisition forms part of the deal between the two companies to create a joint venture for passenger safety systems.

The accord combines Breed's expertise in crash sensors with Siemens' skills in automotive electronics. The two companies said they would also explore ventures in South America and Asia. No figures were given for the value of the deal. Breed made a significant transition recently with the $750m acquisition of the safety restraints system business of Allied Signal of the US. The purchase turned Breed into the biggest North American manufacturer of safety belts, with total sales of $1.7bn.

Breed said it would use the proceeds of the share sale to Siemens to help finance the Allied Signal acquisition and raise working capital. Siemens Automotive, which is a substantial supplier to the motor industry, is putting its PARS Passive Rückhaltesysteme operation into the joint venture. PARS is a crash test site and development centre for passenger safety systems. Breed said that it would form a company in the US to replicate PARS's European activities. *Haig Simonian, Motor Industry Correspondent*

■ PAY-TV

Australis hearing adjourned

The Federal Court of Australia adjourned until Monday a hearing into the injunction sought by the Australian Competition and Consumer Commission to block the proposed merger between Australis Media, the pay television company, and Foxtel. The hearing is to be adjourned until October 20, in which time the ACCC would lodge its affidavits against the companies. The merger was blocked by the ACCC earlier this week on the grounds it would reduce competition in the local telephony and pay-television markets. *Reuters, Tokyo.*

India's paper revolution

Investors must switch to electronic shares by early next year

Up to 100bn shares will need to be transfered to the electronic depository Sophie Whitfield

In Bombay's industrial suburb of Dadar, an old shredding machine chugs its way through a mountain of paper. Its task is to destroy share certificates – millions of them – as India moves to a paperless trading system.

What has been a slow evolution was given a turbo-charged boost this week with the surprise announcement by Sebi, India's financial regulator, that institutions will no longer be able *to trade in paper shares from* January 15.

The statement shocked investors, who had been offered a choice between paper and electronic shares since the passage of the Depositories Act last year.

But Uday Kotak, vice-chairman of Kotak Mahindra, Goldman Sachs' partner in India, says: "It is going to help the move from paper – it is really going to speed things up."

Chandrashekr Bhave, managing director of India's electronic National Securities Depository, says: "This is the real breakthrough – Sebi has brought forward the process by at least two years."

Sebi went some way to calm fears when it published yesterday details of the new plan.

Institutions will be able to keep paper shares, even though they will not be able to sell them in that form. And the ban on paper trading will be rolled out over several months, beginning with about 10 blue-chip companies on January 15.

But the task ahead is immense. Investors will probably try to move more than 1bn shares from paper to electronic record in the next three months. So far, the depository has processed 480m shares in 10 months.

Beyond January 15, the job is bigger still. Institutions are likely to transfer most of their portfolios from paper to paperless shares next year, which could involve tens of billions of shares.

No one knows how many shares there are in India, but *Mr Bhave estimates that* "there could be as many as 100bn". A little under half are in the hands of institutions.

The chance of a smooth transition is greatly increased by the fact that the move was gathering momentum before Sebi's announcement.

Indian law requires a company to consent to its investors moving over to paperless shares. This occurred *en masse* when a string of India's blue chip companies, including the Tata Group, agreed to join the new depository.

India's biggest shareholders – the state-owned Unit Trust of India, Life Insurance Corporation and General Insurance Corporation – have poor records of their shareholders. But they began the mammoth task of sorting them out in February.

The mass migration from paper to electronic shares will have profound consequences for India's stock *markets*.

A simple share transaction involving 200,000 shares (sold in lots of 10), typically worth about $500,000, currently involves six parties counting 20,000 certificates and transfer documents and verifying each one with the company's registrar.

This is time-consuming, expensive and open to widespread fraud.

Paperless trading is a cleaner, quicker and more transparent market. It is open to new categories of foreign investors and could erode the premium enjoyed by GDRs – proxy shares traded on international markets.

It will also make it cheaper to buy, sell and hold Indian shares.

The move will put an end to a lucrative custody business. The electronic depository charges 3.5 basis points in custody fees, against 30 to 40 basis points charged by paper custodians. It will also – through ease of trading and lower incidence of fraud – push down broker fees.

The transparency of electronic markets has paved the way for the development of futures and options products – and in India it could also usher in changes to the relationship between companies and shareholders, by taking away a company's control over its share register.

"There are companies in India which are still worried about free transfer of shares," says a senior stock market official. "Ownership transfer can take place within the depository without a company's knowledge."

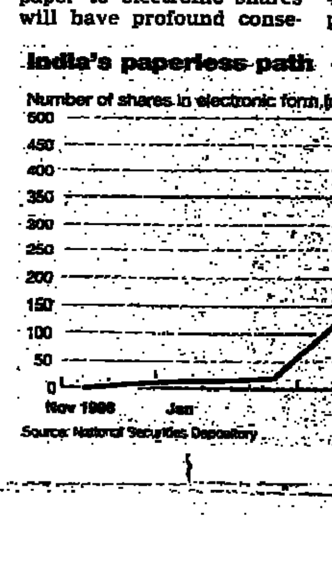
India's big mutual funds will be able to quantify their shareholdings in real time for the first time, opening the way for stricter accounting and greater investor awareness of what they are investing in.

Paperless trading will also have a big impact on India's regional stock markets. Currently, only the capitalised National Stock Exchange, which founded the electronic depository, can trade in paperless shares.

The Bombay Stock Exchange, India's second biggest, could reach an agreement with the depository before January 15.

However, other exchanges are unlikely to join the depository, and since brokers across India can already trade on both the NSE and BSE, their future looks bleak.

Krishna Guha



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BTR agrees $585m for Exide Elecs

By Andrew Edgecliffe-Johnson

BTR yesterday made an agreed $585m bid for Exide Electronics, the US-based maker of power supplies systems, hailing it as a significant step towards the UK group's goal of changing from a conglomerate to a focused engineering group.

The deal came a month after BTR announced plans to dispose of businesses with sales of £2.8bn ($4.5bn) and said part of the cash raised would be returned to shareholders.

The company said the acquisition would not affect these plans, and that its financial position was "comfortable", with interest covered seven times by earnings.

BTR's agreed offer trumped an earlier hostile bid for Exide from Danaher Corporation of the US. The UK group is offering $29 a share, compared with the $22 a share tabled by Danaher.

This values Exide's equity at $352m, and BTR also plans to take on $233m of Exide's debt. BTR said it had an option over 19.9 per cent of Exide's shares.

UK investors gave the deal a muted response, and BTR's shares fell 1p to 235½p.

Ian Strachan, BTR's chief executive, said BTR intended to integrate the company with its control systems division, which made industrial batteries, flow control systems, sensors, and water and gas meters.

He forecast substantial synergy benefits from integrating Exide, which made a profit of $51m before interest and tax in the year to June 30 on sales of $562m.

"BTR control systems will benefit from Exide Electronics' leading market positions, innovative product technologies and strong computer customer relationships," he said. BTR would distribute Exide's products through its global network, he added.

Uninterruptible power supply systems, or UPS, are used to protect computers and other electronic equipment from power surges, spikes and blackouts. Exide's products range from small systems for personal computers to large equipment for data centres and telecommunications systems.

Its market in the US is growing at 11 per cent a year, driven by increasing demand for computers and other electronic systems, but Exide has grown at about 12 per cent a year and has some businesses in market sectors which are showing 18 per cent annual growth.

The company, which has 3,100 employees, is based in North Carolina and has manufacturing sites in Finland and Mexico. It is the US market leader in large systems, and number two in small systems.

Mr Strachan said it was "doubtful" that Danaher would return with a higher offer, adding that the US company had not been among the three companies in the final auction for Exide.

Exide Electronics is not related to Exide Corporation, the automotive and industrial batteries group.

LEX COMMENT

WH Smith

WH Smith yesterday sought to reincarnate itself as an apostle of shareholder value. The trouble with this message is that it lacks credibility. Not only has performance been dismal, but the company has looked at sea in recent months, admittedly when twice assailed with the unexpected: first when Bill Cockburn departed as chief executive, and more recently with the unwelcome attentions of Tim Waterstone. Still, shareholders should look past this noise to see whether the plans of Richard Handover, the new chief executive, can deliver.

On balance, they deserve support. They involve less risk than Mr Waterstone's plan, but still offer a plausible route towards delivering value. Demerging Waterstones bookshops is a good move: shareholders will either hold paper which should attract a handsome rating, or will be bought out at a healthy price by a new entrant. Potential synergy losses from the demerger look minimal. Equally important, armed with a credible vision, and a bit more management attention, the retail chain should benefit from having to stand on its own two feet.

What the company desperately needs now is a long period of stability and obscurity. Mr Handover has made a creditable start and deserves time to show his mettle. There is much value to be released: the rump of WH Smith, shorn of Waterstones and Virgin/Our Price, probably sits on a measly rating of around 10 times prospective earnings. If he does a half-way decent job, he should be able to increase earnings and attract a better rating.

Given the company's record, shareholders have every reason to remain vigilant. If Mr Handover's plans look like failing, the company should start returning cash. But following Mr Waterstone's bracing wake-up call, there should not be much danger of complacency.

Federal-Mogul and T&N conclude bid terms

By Andrew Edgecliffe-Johnson

Federal-Mogul, the US automotive engineer, yesterday finally cemented the highly-leveraged agreed takeover of its larger UK rival, T&N.

The £1.5bn ($2.43bn) cash offer was 20 per cent higher than Federal-Mogul's initial bid approach three weeks ago, but some T&N shareholders said the 260p a share bid was not high enough.

Two leading investors said they would "keep their options open" in case a higher rival bid came along. But Sir Colin Hope, T&N's chairman, said that he did not expect any imminent offers from rival engineering groups such as Dana Corporation of Ohio.

Dick Snell, Federal-Mogul chairman and chief executive, forecast benefits of more than $100m a year from combining the companies, but said the benefits would not come through until the second full year after completion. He added that Federal-Mogul would take one-off restructuring charges of about the same amount to achieve the savings.

The bid is conditional on regulatory clearance, and Mr Snell said that businesses with up to $250m of sales might have to be sold.

He gave few details of the financing, but said Federal-Mogul had in place a temporary facility underwritten by Chase Manhattan Bank, and would refinance this with a combination of equity and debt in due course.

Darren Kimball, analyst with Merrill Lynch in New York, estimated it could do so through an equity offering of about $800m. Federal-Mogul's shares rose by 3\frac{15}{16}$ to 45\frac{11}{32}$ before falling back. T&N rose 2½p to 256p.

The terms include a 3p dividend from T&N, in addition to the 3.2p second interim promised. The latter is worth about 5p when taken as a scrip dividend, because of the recent rise in T&N's shares, which were 182p before the approach.

Federal-Mogul also said it would include a larger provision to cover T&N's asbestosis liabilities than the former asbestos manufacturer had made a year ago when it moved to cap them.

Lex, Page 16

ZF Group may take a year to construct

By Christopher Adams and Christopher Brown-Humes

The creation of ZF Group, the business to be formed through the combination of Swiss insurer Zurich with the financial services arm of BAT Industries of the UK, is so complex it could take a year to complete.

Its size and unusual twin-headed structure mean it must negotiate a complex set of regulatory hurdles and clearances from tax authorities.

Under the terms of the deal unveiled yesterday, BAT's financial services arm will be combined with Zurich by first splitting it from the tobacco business and then merging it with the Swiss insurer's operations. Zurich will own 55 per cent of the combined group and BAT 45 per cent.

In the US especially, where BAT's giant Farmers group sprawls across nine states selling personal lines insurance through 14,000 agents to some 8m customers, obtaining regulatory approval will be time-consuming.

Each US state has its own insurance commissioner, who will examine the terms of the deal. It was this laborious process that partly did for the late Sir James Goldsmith's attempted £13bn hostile takeover of BAT in 1989.

The transaction must also get approval from the courts, but Lord Cairns, BAT chairman, said the group did not anticipate any problems.

Two holding companies, one listed in Zurich and the other in London, will own the financial services group. This structure was chosen in part because of limits imposed by the Swiss authorities on foreign ownership of shares.

In addition, a demerger followed by a merger was thought to be more tax efficient than a straight acquisition. Investors may have been obliged to pay capital gains tax if Zurich had bought BAT's financial services arm.

The companies yesterday rejected suggestions that the twin-headed structure might lead to deadlock over decision-making. While Zurich will own 55 per cent of the new group and BAT 45 per cent, each will have equal voting rights.

The board of ZF Group, the operating company, will comprise 10 people, five each from the board of the holding companies. It will take decisions on strategy and corporate transactions. It will also be responsible for auditing the report and accounts.

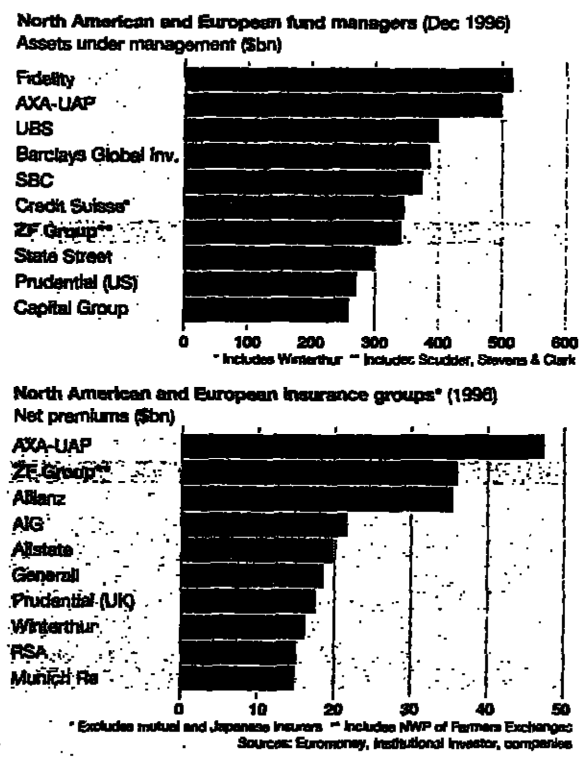
Beneath this will be a management board comprising nine from Zurich and three from BAT's financial services division.

Rolf Huppi will be chairman and chief executive of ZF Group and Lord Cairns non-executive chairman.

ZF Group will be the third largest insurer in the UK, according to Sandy Leitch, chief executive of British American Financial Services. It will have 10 per cent of the non-life market.

Some analysts have suggested BAFS would have done better to merge with another UK insurer to achieve greater cost savings.

The new hierarchy



Allied Dunbar replaces Melcher

By Christopher Brown-Humes

Steve Melcher was yesterday abruptly replaced as chief executive of Allied Dunbar, the UK's largest unit-linked life assurer and part of BAT.

His successor is Phil Smith, currently running the Asian operations of British American Financial Services. BAFs stressed the change had no connection with the Zurich link-up.

Mr Melcher is leaving immediately, although his contract would normally require six months notice. BAFs declined to discuss compensation. His salary is not directly specified in Allied Dunbar's 1996 annual report, but it is understood he earned about £400,000 ($648,000) last year.

Sandy Leitch, BAFs chief executive, said: "I have decided Phil is the right man to run this business. He will run it better." There had been no personality clash, disagreement over strategy, or impropriety, he said.

Mr Melcher, 48, is a US citizen who took over as chief executive of Allied Dunbar in March 1996 after eight years at Eagle Star. It is understood he does not have another position lined up. At the end of last year, he held 45,479 BAT shares, worth £271,000 at yesterday's BAT closing price of 596.5p. He also held 70,479 options.

Allied Dunbar also announced an extra £78m provision for sorting out its pensions mis-selling cases, taking the total provision to £190m. This will hit BAT's third quarter figures.

British American aims for the top

By David Blackwell

British American Tobacco is aiming for the top in the world cigarette market, in spite of a £4bn ($6.48bn) debt burden, after the split.

Martin Broughton, the chief executive of BAT Industries who will chair the new company, said yesterday that the group was seeking to be the leading international tobacco group. It already had a global share of 12.8 per cent, and was strongly positioned to expand in growing markets.

However, there would be little need to change the operational structure of the company. The growth strategy would allow it to pay at least half of its sustainable earnings in dividends.

Last year, the tobacco arm made pre-tax profits of £1.62bn on sales of £18.8bn. At yesterday's close of 592½p, down 4½p, analysts estimate its value at about £6bn.

However, they suggest the value could rise to £9bn once the proposed $368.5bn US tobacco industry settlement, which will curb liability for claims from smokers, is out of the way.

Yesterday, Mr Broughton reiterated that – in spite of President Clinton's demand last month for a tougher settlement – the package was not to be renegotiated. "It is there to give more certainty to shareholders," he said.

He did not think the need for similar legal settlements would arise in other countries. "Nowhere else is the legal system as capricious as it is in the US."

The ambition to lead the world cigarette market does not look far fetched. At 700bn cigarettes a year, it is only 100bn behind Philip Morris of the US, although output is less than half that of the China National Tobacco Group. However, China is one of the key targets for western tobacco companies – and BAT's State Express 555 is leading the field there.

Mr Broughton said yesterday that in the 1980s a third of the world market was closed to exporters. But most markets were now open, so that growth in Asia, Latin America and eastern Europe was more than offsetting declines in the US and western Europe. International brands were the fastest growing market, in spite of increasing regulation.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Albert Fisher	Year to August 31	1,280	(1,698)	41.5♥	(111L♠)	4.27†	(17.07L)	1.9‡	Jan 5	1.9	3.75	3.75
Cirqual	Year to August 31	32	(18.6)	6.73	(2.37)	19.05†	(15.33)	8.25	Jan 21	0.9	9.52	0.9
Davenport Knitwear	6 mths to June 30	4.49	(4.7)	0.59	(0.622)	23.7	(24)	-	-	-	-	9.85
DFS Furniture	53 wks to Aug 2	254.3	(184.8)	38.7	(31.1)	24.79	(19.66)	8.8	Dec 12	6.9	12.7	10§§
Dunham-Bush	10 mths to Ap 30★	11.5	(4.02)	1.73L	(0.222L)	4.19L†	(0.87L)	nil	-	nil	-	nil
Gleeson (MJ)	Year to June 30	205.9	(198.3)	10.1	(8.73)	66.48	(57.45)	14.17	Jan 14	12.31	18.2	16.06
IAWS ǂ	Year to July 31	582.7	(553.9)	25.3♥	(18.52)	17.4	(11.8)	1.68	-	1.531	3.215	2.923
Manganese Bronze	Year to July 31	101.7	(97.3)	8.31	(6.2)	36.39†	(26.81)	6	Dec 1	4.5	9.5	7
Panther Secs	6 mths to June 30	3.16	(4.5)	1.1♥	(1.24)	4.5	(5)	1.5♦	-	1.5	-	3.25
Vision	Year to July 31	11.7	(4.4)	1.49L	(2.31L)	4.09L	(7.15L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Aberforth Split	3 mths to Sept 30	-	(-)	-	(-)	-	(-)	2.45	Dec 5	2.25	-	10.75
Jove	6 mths to Aug 31	38.48	(60.79)	0.575	(0.526)	4.06	(3.72)	3.3	Nov 28	3.2	-	6.8§
TR City of London	3 mths to Sept 30	-	(-)	-	(-)	-	(-)	1.66	Nov 28	1.54	-	6.28

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. ‡Foreign income dividend. ♦Already paid. §§Excludes 10p special dividend. ǂIrish currency. ★Comparatives for year to June 30 1996. §Excludes 0.5p foreign income dividend.

INTERNATIONAL CAPITAL MARKETS

German interest rate fears hit Europe

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

European government bond markets ended weaker but off their lowest levels yesterday as fears about higher German interest rates outweighed a bright start to US trading, where good inflation figures sent Treasuries higher.

Remarks on Wednesday night by Otmar Issing, the Bundesbank's chief economist, that Europe's central banks should tackle inflation now and not wait for the arrival of the new European central bank, unnerved GERMAN BUNDS from the start of trading yesterday. Other markets took their cue from that and sagged in sympathy.

Analysts said the comments by Mr Issing were hawkish, suggesting a harder line on interest rates than had been assumed up to now, a week after the German central bank raised its securities repurchase (repo) rate by 30 basis points last week.

"After the Bundesbank hiked the repo rate last week, and moved so decisively, people thought 'that's probably it until next year'. So what Issing said is pretty hawkish," said Graham McDevitt, head of global bond strategy at Paribas in London.

The December bund futures contract settled 0.45 lower at 101.92, breaking below what some observers said was a key support level at 102.00.

"That's a confirmation of the bearish trend of the market now. Yields are going to drift higher over the next couple of months to reflect a process of higher interest rates," Mr McDevitt said.

The bund contract had earlier hit an intra-day low of 101.74 on volume of more than 300,000 contracts on both Liffe and the DTB.

The Euromark contract for June 1998 also fell another 9 ticks to 95.52, implying three-month D-mark Euromoney at 4.5 per cent. The contract had been at 95.80, implying a rate of 4.1 per cent, before the repo rate rise.

FRENCH BONDS fell to their lowest level since August 11, with the December notional futures contract settling 0.48 down at 98.30, and with volume on the Matif picking up substantially.

Han de Jong, international economist at ABN AMRO Hoare Govett in Amsterdam, noted in a commentary that if German rates were to move higher, the Bank of France would be in a dilemma about French rates and would likely to face a tough domestic battle if it decided to follow suit.

UK GILTS also headed lower, with the December contract settling at $119\frac{1}{32}$, down $\frac{9}{32}$, on volume of 152,000 contracts. Most selling pressure was on the long end of the market, which fell half a point on switching into shorter-dated stocks.

SWEDISH BONDS suffered a 'double whammy', hit by negative sentiment from Germany and a sharp rise in domestic inflation in September, to 1.9 per cent year-on-year against an expected 1.6 per cent.

That sent the market into a tail-spin, especially in the five-year maturity sector, where yields rose by 17 points to 5.93 per cent. The 10-year yield rose 11 points to 6.33 per cent.

A lower than expected 0.2 per cent rise in the consumer price index for September sent US TREASURIES higher throughout the morning.

By midday the 30-year bond, the benchmark for long-term interest rates, had risen $\frac{3}{8}$ to $100\frac{21}{32}$, yielding 6.344 per cent. The two-year note rose $\frac{1}{16}$ to $99\frac{31}{32}$, yielding 5.782 per cent.

Bond investors were relieved that, with inflation so low, the Federal Reserve Open Market Committee will have less reason to raise interest rates at its next meeting in November.

"This is unprecedented," said Bruce Steinberg, chief economist at Merrill Lynch in New York. "Inflation has never been so low so far into an expansion." September's 0.2 per cent rise in the CPI followed a 0.2 per cent increase in August.

A report released on Thursday by the Philadelphia Federal Reserve found that manufacturing activity in the region had slowed, with the Philly Fed's index for October at 11.5. In a separate report, jobless claims for the second week in October rose by 2,000 to 306,000.

Gilts market welcomes plan to cut electricity prices

Gilt market analysts yesterday welcomed proposals to reduce UK electricity prices, which they said could give a big boost to the market, Vincent Boland writes.

Offer, the electricity industry regulator, said prices would fall by an average of 9 per cent in real terms over the next two years. Andrew Roberts, gilts specialist at UBS, said this could cut as much as a quarter percentage point off the inflation rate, which would in turn help the gilt market.

Mr Roberts said the move should help the Bank of England meet its inflation target of 2.5 per cent. UK gilts, which have been riding high on European monetary union convergence factors – but still maintain a premium due to *doubts about the central bank's* long-term ability to meet its inflation target – would be an immediate beneficiary across the maturity curve.

The news from Offer followed the release earlier in the day of figures showing a small rise in the public sector borrowing requirement and a survey by the British Chamber of Commerce suggesting that the manufacturing sector was still suffering from the strength of sterling earlier in the year.

Mr Roberts said the move should dispel fears of another UK interest rate rise, which some analysts have been predicting. "It comes at exactly the right time for the gilt market and is the last piece of the jigsaw falling into place to suggest that the front end of the curve is cheap," he said.

Fitch and IBCA rating groups merge

By Edward Luce in London and Tracy Corrigan in New York

IBCA, Europe's largest credit rating agency, and Fitch Investors Service, the US agency, yesterday said they were to merge, creating the world's third largest credit rating agency.

The agreement, which follows two months of talks, will create Fitch IBCA – with revenues of more than \$100m this year and a potential competitor to Standard & Poor's and Moody's Investors Service, the New York-based giants. The new agency will have 550 staff in 18 offices worldwide.

Robin Monro-Davies, chairman of IBCA, who also becomes chief executive and vice-chairman of the merged group, said Fitch IBCA was aiming for 15 per cent revenue growth a year. Neither S&P, which is owned by McGraw Hill, the US financial services company, nor Moody's, owned by Dun & Bradstreet, publish separate results. But they were thought to have revenues of more than \$200m and \$300m respectively in 1996.

Fimalac – the French group which controls IBCA – has agreed to pay \$175m in cash to Van Kampen Group and other investors which controlled Fitch.

The deal is expected to produce genuine global competition for the big two agencies. IBCA, which was set up in 1978, is considered the strongest credit rating agency in the international banking sector while Fitch is strong in the US market for structured finance. The effective acquisition of Fitch will give IBCA "nationally recognised" status in the US, which will enable it rate a wide diversity of securities outside the banking sector.

For its part, IBCA gives Fitch much-needed international exposure. Fitch has concentrated on the US and has only awarded one sovereign rating, China, compared with almost 50 by IBCA.

"We consider this to be the perfect fit," said Mr Monro-Davies. "This makes us a global credit agency with a strong US presence."

Fimalac's chairman, Marc Ladreit de Lacharrière, will be chairman of Fitch IBCA while Fitch's chairman, Stephen Joynt, will become president and chief operating officer. The Van Kampen family, which had majority control in Fitch, will have no shareholding in the merged entity.

Mr Munro-Davies said the new group would focus on improving its coverage of the international corporate sector without relaxing its focus on banking and securitised finance.

The merger comes at a critical juncture in the credit rating industry, with the market for corporate and sovereign ratings growing at its fastest ever pace.

The rapid globalisation of the world economy and the impending creation of a single European currency has doubled cross-border capital flows in the last five years and boosted demand for recognised credit ratings.

"The market is growing rapidly," said Mr Munro-Davies. "Our aim is to grow even faster than the market if we are going to catch up with Moody's and S&P."

Debut three-year issue from Natexis Banque

INTERNATIONAL BONDS

By Edward Luce in London and Andrew Fisher in Frankfurt

Natexis Banque, formed by the recent merger between BFCE and Credit National, the French banks, yesterday issued its debut eurobond.

The \$500m three-year offering – whose proceeds will go towards French subsidised export financing – is the first bond by a French private-sector issuer to be guaranteed by the French government since 1992.

An official at Merrill Lynch, joint underwriter with Dresdner Kleinwort Benson and Tokyo Mitsubishi, said the guarantee enabled it to issue at the relatively tight spread of 14 basis points over Treasuries.

This, however, is the same spread offered by Gillette, the US consumer goods company, in its first offering since 1992 earlier this week.

Unlike the Gillette bond, which has tightened to a spread of 12 basis points in secondary trading, the Natexis bond was trading flat to re-offer after launch yesterday. Officials said it was distributed mostly to European fund managers.

DEUTSCHE TERMINBORSE, the German futures and options exchange, is to introduce a jumbo Pfandbrief – or mortgage bond – future to enable risk hedging in that sector. Similar to the DTB's interest rate futures, the new contract will come into operation when the volume of Pfandbrief jumbo issues has reached DM50bn, which it expects to be soon.

Jumbo Pfandbriefe have an issue size of at least DM1bn, are designed as classical bonds, and have three market-makers in cash trading.

The Deutsche Börse, which runs the Frankfurt securities exchanges and the DTB, has also begun calculating a new index, the Jex, for jumbo Pfandbriefe, which were first issued in May 1995.

The Jex is directly comparable with the Rex (German bond index) and Pex (Pfandbrief index).

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
DePfa Bank‡	750	(a,s)	100.10	Jan 1999	0.10	-	Lehman Brothers Intl
Royal Bank of Canada‡	500	(b)	99.87R	Oct 2002	0.20R	-	Morgan Stanley DW
Natexis Banque(l)	500	6.00	99.766R	Nov 2000	0.1875R	+14(6%Aug00)	Dresdner/Merrill/TMI
Evergreen Funding, A(c)‡	252	(c1)	100.00R	Nov 2010	NoneR	-	Salomon Brothers Intl
D-MARKS							
Republic of Turkey(d)	500	8.125	98.50R	Oct 2007	0.875R	+273(6Jul07)	CSFB/Deutsche MG

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡ Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor –4bp. b) 3-mth Libor flat. c) Av life: 6.1 yrs. Callable from Nov 00 at par. c1) 6-mth libor +41bp. c2) Class B: \$38m, 6-mth Libor +125bp, parR, 10 yrs, callable from Nov 00 at par. c3) Class C: \$19m. d) DM1bn launched 9/10/97 increased to DM1.5bn. l) Long 1st coupon. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Oct 16	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.6105	5.04	+0.02	+0.03	+0.31	–1.69
	10/07	10.000	126.3423	6.36	+0.06	+0.07	+0.05	–1.31
Austria	09/99	7.000	104.0400	4.74	+0.11	+0.25	+0.51	+1.18
	07/07	5.625	99.4400	5.70	+0.06	+0.07	+0.05	–0.33
Belgium	04/99	7.000	103.4500	4.66	+0.09	+0.25	+0.56	+1.22
	03/07	6.250	103.3500	5.77	+0.06	+0.10	+0.08	–0.30
Canada	03/99	4.000	100.0600	3.94	–0.03	+0.02	-	–0.34
	06/07	7.250	111.6800	5.64	–0.03	+0.02	–0.15	–0.96
Denmark	12/99	6.000	101.9400	5.01	+0.09	+0.22	+0.35	+0.82
	11/07	7.000	106.4000	6.13	+0.06	+0.09	–0.07	–0.68
Finland	01/99	11.000	107.7530	4.37	+0.04	+0.11	+0.35	+0.63
	04/06	7.250	109.2510	5.83	+0.04	+0.10	–0.01	–0.57
France	11/99	7.000	104.6800	4.57	+0.08	+0.24	+0.48	+0.75
	10/04	6.750	107.5700	5.42	+0.07	+0.16	+0.27	–0.10
	10/07	5.500	98.8000	5.69	+0.08	+0.12	+0.17	–0.31
	10/25	6.000	97.3100	6.20	+0.05	+0.09	+0.02	–0.64
Germany	06/99	3.500	98.5400	4.42	+0.08	+0.20	+0.45	+0.97
	07/04	6.750	107.2700	5.43	+0.07	+0.14	+0.19	–0.17
	07/07	6.000	102.3600	5.67	+0.06	+0.08	+0.06	–0.33
	07/27	6.500	103.9700	6.20	+0.05	+0.05	–0.05	–0.63
Ireland	04/99	6.250	100.8600	5.59	+0.06	+0.04	+0.18	–0.33
	08/06	8.000	112.8000	6.08	+0.04	+0.02	–0.04	–0.87
Italy	05/00	6.000	101.5600	5.34	+0.08	–0.10	–0.09	–2.11
	05/02	6.250	102.4700	5.63	+0.07	–0.09	–0.05	–2.13
	07/07	6.750	104.8900	6.07	+0.05	–0.10	–0.16	–2.26
	11/26	7.250	108.8700	6.56	+0.03	–0.14	–0.28	–2.34
Japan	06/99	4.800	107.0900	0.51	+0.01	-	+0.03	–0.47
	12/02	4.800	117.0800	1.36	+0.02	–0.03	–0.13	–0.83
	09/05	3.000	108.3600	1.86	+0.03	+0.01	–0.16	–0.97
	03/17	3.500	112.8500	2.65	+0.01	–0.01	–0.19	–0.80
Netherlands	06/99	7.500	104.6000	4.52	+0.09	+0.24	+0.41	+1.11
	02/07	5.750	100.6800	5.65	+0.05	+0.09	+0.08	–0.24
New Zealand	02/00	6.500	99.2060	6.86	+0.06	–0.02	–0.28	–0.60
	11/06	8.000	109.0065	6.64	+0.05	–0.08	–0.30	–1.04
Norway	01/99	9.000	105.3900	4.54	+0.01	-	–0.04	–0.86
	01/07	6.750	106.5200	5.81	+0.03	+0.06	–0.11	–0.89
Portugal	03/99	8.500	104.6157	5.09	+0.03	+0.06	–0.02	–1.65
	02/07	6.625	104.2595	6.01	+0.03	–0.02	–0.14	–1.58
Spain	07/99	7.400	103.9624	4.99	+0.06	+0.12	+0.11	–1.64
	03/07	7.350	109.6924	5.97	+0.04	–0.02	–0.06	–1.86
Sweden	01/99	11.000	106.9090	5.11	+0.11	+0.17	+0.27	–0.35
	08/07	8.000	111.9030	6.33	+0.11	+0.13	–0.11	–1.11
Switzerland	03/99	4.000	102.6000	2.07	+0.03	+0.15	+0.31	+0.13
	06/07	4.500	107.2300	3.60	+0.04	+0.06	+0.02	–0.29
UK	08/99	6.000	98.5313	6.87	+0.02	–0.12	+0.16	+0.62
	11/04	6.750	101.2346	6.53	+0.04	–0.04	–0.17	–0.67
	12/07	7.250	105.6250	6.48	+0.02	–0.02	–0.23	–0.93
	06/21	8.000	118.1250	6.49	+0.03	–0.01	–0.16	–1.41
US	07/99	5.875	100.0940	5.81	–0.02	–0.02	+0.01	–0.09
	05/04	7.250	106.4060	6.05	–0.05	–0.02	–0.04	–0.24
	08/07	6.125	100.5000	6.06	–0.04	–0.03	–0.04	–0.50
	08/27	6.375	100.3910	6.34	–0.05	–0.04	–0.07	–0.52
ECU	03/99	5.000	100.2500	4.79	+0.03	+0.12	+0.28	+0.62
	04/07	5.500	97.5900	5.63	+0.05	+0.06	+0.01	–0.49

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Oct 16	Bid Yield	Spread vs Bunds	Spread vs T-Bonds		Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	6.36	+0.69	+0.30	New Zealand	6.64	+0.97	+0.58
Austria	5.69	+0.02	–0.37	Norway	5.81	+0.14	–0.25
Belgium	5.77	+0.10	–0.29	Portugal	6.01	+0.34	–0.05
Canada	5.64	–0.03	–0.42	Spain	5.97	+0.30	–0.09
Denmark	6.13	+0.46	+0.07	Sweden	6.33	+0.66	+0.27
Finland	5.83	+0.16	–0.23	Switzerland	3.60	–2.07	–2.46
France	5.69	+0.02	–0.37	UK	6.48	+0.81	+0.42
Germany	5.67	-	–0.39	US	6.05	+0.39	-
Ireland	6.08	+0.41	+0.02	ECU	5.83	+0.16	–0.23
Italy	6.07	+0.40	+0.01				
Japan	1.86	–3.81	–4.20				
Netherlands	5.65	–0.02	–0.41				

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Oct 16	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB–	98.4129	7.43	–0.04	–0.08	+1.47
Poland	07/00	7.750	BBB–	103.1117	6.45	–0.03	–0.10	+0.59
Russia	11/01	9.250	BB–	104.2655	7.98	–0.11	–0.43	+2.07
LATIN AMERICA								
Argentina	01/17	11.375	BB	118.6936	9.45	–0.04	+0.09	+3.25
Brazil	11/01	8.875	BB–	103.3191	7.88	–0.04	–0.01	+1.97
Mexico	01/07	9.875	BB	108.5173	8.52	–0.07	–0.26	+2.46
ASIA								
China	07/06	7.750	BBB+	104.5638	7.02	–0.04	+0.19	+0.98
Philippines	10/16	8.750	BB+	100.1771	8.73	–0.08	+0.15	+2.54
Thailand	04/07	7.750	A–	98.1785	8.02	–0.06	+0.60	+1.96
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	103.6005	7.61	–0.12	+0.02	+1.75
South Africa	12/99	9.625	BB+	105.6994	6.73	-	–0.13	+0.93
Turkey	05/02	10.000	B	105.6975	8.42	–0.04	–0.27	+2.46
BRADY BONDS								
Argentina	03/23	5.500	BB	76.0259	8.22	–0.08	–0.18	+1.93
Brazil	04/24	5.250	BB–	74.3243	8.32	–0.10	+1.86	+2.01
Mexico	12/19	6.250	BB	83.3658	7.84	–0.05	–0.14	+1.61
Venezuela	03/20	6.750	B+	87.2420	7.96	–0.05	–0.14	+1.73

London closing. Prices in US\$. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	98.80	98.30	–0.48	98.82	98.06	232,648	138,782
Mar	98.26	97.78	–0.48	98.26	97.64	922	6,235
Jun	97.84	97.34	–0.48	97.84	97.84	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
97	-	1.59	-	0.07	0.29	0.91
98	0.59	0.89	1.10	0.29	0.59	1.32
99	0.14	0.41	0.68	0.84	1.11	1.88
100	0.01	0.12	0.37	1.71	1.81	-
101	0.01	0.03	0.17	2.71	2.72	-

Est. vol. total, Calls 22,984 Puts 34,258. Previous day's open int., Calls 79,234 Puts 95,522.

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.34	101.92	–0.45	102.40	101.74	315443	294932
Mar	101.48	101.20	–0.44	101.58	101.14	1298	8057

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
10150	0.59	0.91	0.75	1.07	0.17	0.49	1.05	1.37
10200	0.28	0.62	0.54	0.84	0.36	0.70	1.34	1.64
10250	0.10	0.39	0.38	0.64	0.68	0.97	1.68	1.94

Est. vol. total, Calls 43271 Puts 55676. Previous day's open int., Calls 216830 Puts 269212

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.08	102.72	–0.33	103.09	102.67	205,359	243,239
Mar	102.20	102.06	–0.24	102.20	102.05	1,210	2,907

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	112.23	112.17	–0.37	112.52	111.92	63730	113470
Mar	112.38	112.12	–0.37	112.38	112.38	14	1437

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
11200	0.90	1.55	0.73	1.43
11250	0.65	1.29	0.98	1.67
11300	0.44	1.05	1.27	1.93

Est. vol. total, Calls 3446 Puts 5732. Previous day's open int., Calls 118595 Puts 106050

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	103.41	103.29	–0.30	103.54	103.15	97,382	79,844
Mar	-	102.75	–0.37	-	-	-	50

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	119-04	119-01	-0-09	119-19	118-24	152433	182684
Mar	119-00	118-31	-0-09	119-00	118-28	2081	2682

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
119	0-30	1-02	1-26	1-55	0-28	1-00	1-29	1-57
120	0-07	0-36	0-62	1-26	1-05	1-36	2-00	2-28
121	0-03	0-20	0-41	1-03	2-01	2-18	2-43	3-05

Est. vol. total, Calls 2096 Puts 7335. Previous day's open int., Calls 85106 Puts 38083

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97.80	97.46	–0.44	97.80	97.40	802	5,101

US

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115–15	115–30	+0–14	116–02	115–07	385,326	631,924
Mar	115022	115–04	–0–02	115–24	114–31	686	68,214
Jun	-	114–20	-	-	-	83	8,354

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	128.88	-	-	129.09	128.64	6423	n/a
Mar	127.94	-	-	128.21	127.85	929	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Oct 15	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	103.5035	6.37	+0.01	–0.15	+0.38
NY Tel	08/25	7.00	A+	96.6733	7.27	+0.02	–0.19	+0.88
CWE	05/08	8.00	BBB	107.4686	6.98	+0.03	–0.17	+0.89
FINANCIALS								
GECC	05/07	8.75	AAA	115.1854	6.58	+0.03	–0.18	+0.49
Banc One	08/02	7.25	A+	103.2667	6.44	+0.01	–0.16	+0.45
US West	01/07	7.30	BBB+	102.4913	6.92	+0.03	–0.12	+0.83
INDUSTRIALS								
WMX Tech	04/99	6.25	A–	100.1488	6.13	-	–0.08	+0.32
Wal Mart	05/02	6.75	AA	101.6948	6.31	+0.01	–0.16	+0.32
Dayton Hud	06/21	9.70	BBB+	125.9999	7.36	+0.03	–0.15	+0.97
AGENCIES								
FHLMC	04/07	7.14	N/A	105.3580	6.37	+0.03	–0.19	+0.28
SLMA	03/00	7.50	N/A	103.3678	5.96	+0.04	–0.12	+0.08
FNMA	02/18	8.95	N/A	123.8228	6.77	+0.02	–0.19	+0.38
FFCB	06/06	8.95	N/A	117.0581	6.34	+0.03	–0.18	+0.25
HIGH YIELD								
Stone Cont	02/01	9.88	B	102.5000	0.00	-	-	-
AK Stl	12/01	9.13	BB–	105.3750	0.00	-	-	-
Pacalta	06/04	10.75	B–	104.7500	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	-	Two year	5.80
Prime rate	$8\frac{1}{2}$	Two month	-	Three year	5.86
Broker loan rate	$7\frac{1}{4}$	Three month	5.04	Five year	5.96
Fed.funds	$5\frac{1}{2}$	Six month	5.30	10-year	6.05
Fed.funds at intervention	-	One year	5.49	30-year	6.34

INTERNATIONAL BONDS

Oct 16	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	100.1300	5.73	+0.07	+0.14	+0.06
Spain	01/07	5.750	AA	99.5500	5.81	+0.07	+0.16	+0.14
Philip Morris	03/04	5.375	A	98.2500	5.70	–0.07	+0.17	+0.28
ABN Amro	03/05	3.625	n/a	99.5026	5.69	+0.05	+0.15	+0.14
EURO FFR								
Austria	01/04	6.500	AAA	100.2800	5.44	+0.07	+0.33	+0.02
Abbey Nat	02/04	6.000	AA	102.5700	5.50	+0.07	+0.31	+0.08
Cred Foncier	02/04	9.125	A	117.1500	5.80	+0.07	+0.30	+0.38
Abbey Nat	09/06	4.510	AAr	99.8282	4.53	+0.07	+0.18	–1.07
EURO LIRA								
EIB	02/07	7.000	AAA	106.8000	6.02	+0.03	–0.24	–0.05
Abbey Nat	02/02	6.800	AA	103.9500	5.73	+0.06	–0.11	–0.02
Walt Disney	06/00	8.625	A	106.5000	5.90	-	–0.17	+0.52
Abbey Nat	03/07	8.000	AAr	104.0348	6.88	+0.13	–0.66	+0.81
EURO £								
EIB	12/07	7.625	AAA	106.3187	6.74	+0.03	–0.25	+0.26
Dresdner Bk	12/07	7.750	AA	104.3368	7.13	+0.03	–0.27	+0.65
RBS	01/07	8.375	A+	107.4191	7.24	+0.03	–0.31	+0.76
Abbey Nat	02/02	7.400	AA	99.9545	6.60	+0.04	–0.14	+0.03
EURO \$								
EIB	04/07	7.250	AAA	105.2837	6.48	–0.07	–0.09	+0.42
ABN Amro	06/07	7.125	AA–	102.8310	6.72	–0.06	–0.11	+0.66
Quebec	01/07	7.000	A+	102.4494	6.64	–0.11	–0.17	+0.58
Citicorp	02/04	5.781	A+	99.8987	5.80	–0.06	+0.13	–0.20
EURO C\$								
Bayer L–Bk	08/04	9.500	AAA	120.5430	5.76	-	–0.19	+0.09
Toronto	05/04	8.500	AA+	114.8367	5.76	-	–0.21	+0.09
Bell Canada	07/99	10.625	A+	109.3705	4.83	-	+0.11	–0.02
Deutsche Bk	09/02	5.875	AAA	102.1482	5.37	-	–0.09	–0.09
EURO YEN								
World Bank	03/02	5.250	AAA	117.2200	1.23	+0.04	–0.04	+0.05
Spain	03/02	5.750	AA	119.1000	1.28	+0.04	–0.06	+0.10
Cred Foncier	08/02	4.750	A	114.0382	1.68	+0.02	–0.06	+0.50
Italy	07/99	0.703	AA	100.6290	0.14	+0.01	-	–0.37

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities / UK Indices

Price Indices UK Gilts	Thu Oct 16	Day's change %	Wed Oct 15	Accrued interest	xd adj. ytd		Low coupon yield Oct 16	Oct 15	Yr. ago	Medium coupon yield Oct 16	Oct 15	Yr. ago	High coupon yield Oct 16	Oct 15	Yr. ago
1 Up to 5 years (20)	120.34	–0.05	120.48	2.43	8.29	5 yrs	6.54	6.50	6.98	6.66	6.62	7.04	6.69	6.65	7.09
2 5-15 years (20)	157.99	–0.21	158.55	2.88	9.03	15 yrs	6.49	6.46	7.79	6.53	6.49	7.81	6.61	6.57	7.83
3 Over 15 years (4)	189.32	–0.38	190.04	3.58	9.77	20 yrs	6.49	6.46	7.90	6.53	6.49	7.91	6.61	6.57	7.92
4 Irredeemables (6)	229.21	–0.66	230.73	4.33	9.50	Irred.†	6.63	6.59	7.95						
5 All stocks (48)	151.01	–0.19	151.43	2.88	9.03										

Index-linked	Thu Oct 16	Day's change %	Wed Oct 15	Accrued interest	xd adj. ytd		Inflation 5% Oct 16	Oct 15	Yr. ago	Inflation 10% Oct 16	Oct 15	Yr. ago
6 Up to 5 years (2)	209.82	0.03	210.64	0.23	6.09	Up to 5 yrs	3.17	3.17	3.07	2.42	2.41	2.37
7 Over 5 years (10)	211.35	–0.09	211.53	1.23	5.21	Over 5 yrs	3.21	3.20	3.55	2.98	2.96	3.33
8 All stocks (12)	210.11	–0.07	210.35	1.13	5.26							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

Govt. Secs. (UK) 100.13 100.57 100.57 100.46 100.00 94.01 101.83 93.31 — Fixed interest 132.78 132.74 132.76 132.21 132.42 115.97 133.54 115.32

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Yen rises ahead of Japanese package

MARKETS REPORT

By Simon Kuper

The yen rose yesterday as some traders decided that Japan might unveil a substantial fiscal stimulus package next Monday. But most currency strategists disagreed with them.

The ruling Liberal Democratic Party is planning the package to revive Japan's stagnant economy. The market had long thought the main measures would be a corporate tax cut and an attempt to raise liquidity in the land retail estate sector. Recently there has been talk of stronger measures. However, strategists cited a report yesterday that Hiroshi Mitsuzuka, Japan's finance minister, and senior LDP officials had agreed to forego a Y2tr income tax cut.

The yen rose Y1.4 against the dollar and Y0.55 to the D-Mark yesterday, closing in London at Y120.0 and Y68.78 respectively. But Robin Marshall, chief economist at Chase in London, said: "One wonders whether the market is not getting ahead of itself. I'm not sure we'll get anything firm on the tax cutting front."

The D-Mark rose after Otmar Issing, the Bundesbank's chief economist, said late on Wednesday that European central banks must not let inflationary pressures build before monetary union starts. Germany had raised its repo rate last week because consumer, producer and import prices were all moving in "the wrong direction".

Mr Issing had said the same thing about prices before, and was already known to be among the Bundesbank's hawks. Yet the market took his comments to mean that the bank might raise rates again soon, even though Mr Issing also said that consumer price inflation should hover around an annualised rate of 2 per cent in coming months.

Conversely, prospects of a US rate rise shrank after consumer prices rose just 0.2 per cent in the month to September. The year-on-year increase was 2.2 per cent, the lowest in over 32 years. US Treasury bonds jumped.

The increased forecasts for German rates and the downward shift for the US helped the D-Mark gain 0.7 pfennigs against the dollar to DM1.744, and 1.7 pfennigs against the pound to DM2.826.

■ Paul Chertkow, global head of foreign exchange research at UBS in London, found on a recent trip that the Japanese ministry of finance and the Bank of Japan differ over the country's economic slowdown.

The ministry, he says, is unwilling to increase the budget deficit through a large stimulus package. But the central bank is prepared to boost domestic demand by cutting interest rates further. The forecast of tight fiscal and loose monetary policy leads him to expect a fall in the yen. He says that Japanese life companies have raised their holdings of foreign assets from 6.5 per cent to 8 per cent of their total portfolio over the past year, because Japanese bonds yield so little. He says companies may raise that proportion to 10 per cent. This is partly because more foreign fund managers are competing for Japanese investors, promising to place more of their money abroad.

Gerard Lyons, chief economist at DKB International in London, agrees with Mr Chertkow that "the stimulus package could be quite tame." But he says Tokyo is now leaning on Japanese investors to stop them from exporting too much capital.

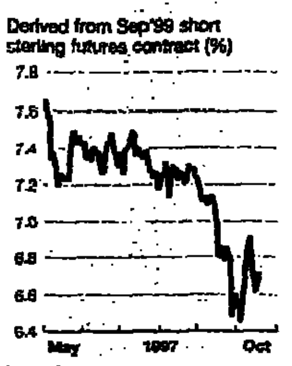
■ Something strange has happened to Euromark futures contracts, which bet on the expected level of German interest rates.

Some of these contracts have dropped 20 basis points in the last two days, and only partly because two Bundesbank officials hinted at higher rates. Normally a Bundesbanker moves Euromark contracts 3 basis points at most.

So why the sharp move? Talk in the market is that one trader bought Euromark contracts heavily last week, breaking the limits set on him by his bank, because he thought the Bundesbank would not raise rates. On Thursday, however, it did raise. This is said to have cost him tens of millions of D-Marks. His bank then sold the contracts, prompting the drop of the last two days. The bank named by most in the market denies the story. The quest for an explanation continues.

Implied UK base rate

Derived from Sep'99 short sterling futures contract (%)



Source: Extel

■ **Pound in New York**

Oct 16	Latest	Prev. close
£ spot	1.6185	1.6235
1 mth	1.6164	1.6215
3 mth	1.6120	1.6172
1 yr	1.5984	1.6013

■ **OTHER CURRENCIES**

Oct 16	£	$
Czech Rp	52.6792 - 52.7603	32.5180 - 32.5520
Hungary	315.187 - 315.424	194.560 - 194.610
Iran	4862.40 - 4860.00	3000.00 - 3000.00
Kuwait	0.4923 - 0.4927	0.3039 - 0.3040
Poland	5.4894 - 5.4969	3.3885 - 3.3915
Russia	9509.46 - 9517.34	5870.00 - 5872.00
U.A.E.	5.9499 - 5.9532	3.6726 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Oct 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8944	-0.1122	855 - 033	19.9785	19.8681	19.84	3.3	19.7273	3.4	19.2218	3.4	102.6
Belgium	(BFr)	58.3668	-0.282	200 - 136	58.6290	58.2330	58.1868	3.7	57.8168	3.8	56.0868	3.9	102.5
Denmark	(DKr)	10.7683	-0.0632	620 - 705	10.8130	10.7537	10.7348	3.5	10.6708	3.5	10.3793	3.6	104.5
Finland	(FM)	8.4844	-0.0378	779 - 909	8.5150	8.4770	8.4591	3.6	8.4066	3.7	8.1939	3.4	81.6
France	(FFr)	9.4808	-0.0484	775 - 841	9.5169	9.4639	9.4478	4.2	9.3908	3.8	9.1153	3.9	105.8
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.2775	-0.0475	750 - 799	12.3120	12.2640	12.2535	2.3	12.2045	2.4	11.9805	2.4	102.4
Belgium	(BFr)	36.0200	-0.1105	000 - 400	36.1200	35.9460	35.945	2.5	35.7935	2.5	35.1	2.6	102.5
Denmark	(DKr)	6.6442	-0.0273	432 - 452	6.6645	6.6377	6.6325	2.1	6.6082	2.2	6.5018	2.1	103.9
Finland	(FM)	5.2360	-0.0141	333 - 387	5.2492	5.2315	5.2245	2.6	5.2008	2.7	5.107	2.5	80.8
France	(FFr)	5.8509	-0.0196	503 - 515	5.8641	5.8423	5.8394	2.4	5.8155	2.4	5.7367	2.5	105.3
[illegible]													
[illegible]		3.7506		505 - 506	3.7506	3.7505	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
[illegible]			-	490 - 500	1.5545	1.5440	1.5478	1.4	1.544	1.4	1.5245	1.6	-
[illegible]			-0.016	840 - 890	4.6983	4.6640	4.727	-10.4	4.8065	-10.2	5.109	-9.0	-
[illegible]			+0.8	100 - 200	915.200	914.500	-	-	-	-	-	-	-
[illegible]			-0.043	180 - 310	28.5310	28.4830	28.5355	-0.5	28.5445	-0.3	28.637	-0.4	-
[illegible]			+0.18	800 - 800	37.1000	35.8500	37.175	-14.5	37.88	-12.5	39.11	-6.5	-

[illegible] spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly [illegible] by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct [illegible] are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

October 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅛	4⅛	4⅛	4⅛	4[illegible]	6.00	2.75	-
France	3⅛	3½	3[illegible]	3¾	4⅛	3.30	-	4.75
Germany	3¾	3¼	3¾	3[illegible]	4½	4.50	2.50	3.30
Ireland	6¼	6¼	6⅛	6	5[illegible]	-	-	6.75
Italy	6⅝	6[illegible]	6[illegible]	6⅛	6[illegible]	7.75	6.25	6.02
Netherlands	3¾	3[illegible]	3¾	3¾	4⅛	-	2.75	3.30
Switzerland	1⅛	1¾	1¾	1¾	2¾	-	1.00	-
US	5½	5⅛	5[illegible]	5[illegible]	5[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	½	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5¾	5[illegible]	5¾	6⅛	-	-	-
US Dollar CDs	-	5.46	5.52	5.61	5.75	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4⅛	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	3[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 16	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	4 - 3⅞	[illegible]	4½ - 4⅜
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	3¾ - 3½	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	3¾ - 3⅝	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5[illegible] - 5
Spanish Peseta	5⅛ - 5[illegible]	5⅛ - 5[illegible]	[illegible] - 5⅛	5⅛ - 5[illegible]	[illegible]	5 - 4[illegible]
Sterling	7⅛ - 7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1⅝ - 1⅛	[illegible]	[illegible]	[illegible]	[illegible]	2¼ - 2
Canadian Dollar	[illegible] - 3½	3⅝ - [illegible]	[illegible]	[illegible]	4 - 3⅞	[illegible]
[illegible]						

Short term rates are call for the US Dollar and Yen, others: two days' notice.

[illegible]

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.30	0.94	1.29	0.09	0.04	0.03
9400	0.14	0.72	1.08	0.18	0.07	0.05
9425	0.05	0.52	0.84	0.34	0.12	0.08

Est. vol. total, Calls 9048 Puts 4705. Previous day's open int., Calls 232251 Puts 109802

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]	

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.5743	0.5756	+0.0021	0.5760	0.5734	13,774	68,969
Mar	0.5770	0.5780	+0.0017	0.5780	0.5780	17	2,550
Jun	-	0.5800	+0.0011	0.5795	-	1	2,617

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6899	0.6917	+0.0024	0.6926	0.6899	10,359	37,648
Mar	0.6979	0.6979	+0.0021	0.6979	0.6979	130	1,674
Jun	-	0.7042	-	0.7042	-	3	267

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8328	0.8384	+0.0060	0.8410	0.8380	7,980	82,583
Mar	0.8506	0.8520	+0.0064	0.8520	0.8494	41	876
Jun	-	0.8522	-	-	-	1	163

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6190	1.6168	-0.0016	1.6200	1.6130	4,221	28,577
Mar	1.6090	1.6090	-0.0036	1.6110	1.6090	5	257
Jun	-	1.6070	-	1.6080	1.6020	52	27

UK INTEREST RATES

LONDON MONEY RATES

Oct 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	16 - 6¾	7⅛ - 6[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	7⅛ - 7[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	7⅛ - 7	-	-
Bank Bills	-	-	7 - 6[illegible]	7⅛ - 7[illegible]	[illegible]	-
Local authority deps.	6⅞ - 6¾	7 - 6⅞	[illegible] - 7	[illegible] - 7⅛	[illegible]	[illegible]
Discount Market deps	[illegible]	7 - 6⅞	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Oct 10, 6.9490pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1997. Agreed rate for period Oct 26, 1997 to Nov 25, 1997, Scheme III 8.54pc. Reference rate for period Aug 30, 1997 to Sep 30, 1997, Schemes IV & V 7.294pc. Finance House Base Rate 7½pc from Oct 1, 1997

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.60	92.63	+0.03	92.63	92.60	21442	131456
Mar	92.60	92.61	+0.02	92.64	92.59	21187	120195
Jun	92.64	92.64	+0.01	92.69	92.63	24525	85259
Sep	92.78	92.76	-0.01	92.83	92.74	16970	65748
Dec	92.92	92.89	-0.03	92.99	92.88	19239	63988

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.17	0.23	0.33	0.04	0.12	0.19
9275	0.03	0.10	0.19	0.15	0.24	0.30
9300	0	0.03	0.10	0.37	0.42	0.46

Est. vol. total, Calls 1446 Puts 3583. Previous day's open int., Calls 201647 Puts 219910

EMS EUROPEAN CURRENCY UNIT RATES

Oct 16	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.764718	+0.002662	-4.26	6.61	29
Finland	5.85424	5.89850	+0.00356	0.76	1.31	-5
Italy	1906.48	1920.99	-1.59	0.76	1.30	-6
Spain	163.826	165.832	+0.016	1.22	0.84	-9
Portugal	197.398	200.161	+0.072	1.40	0.66	-9
Denmark	7.34555	7.48399	-0.00408	1.88	0.18	-13
France	6.45863	6.58721	-0.00238	1.99	0.08	-17
Netherlands	2.16979	2.21372	-0.00075	2.02	0.05	-15
Germany	1.92573	1.96486	-0.00105	2.03	0.04	-20
Belgium	39.7191	40.5308	-0.0263	2.04	0.03	-15
Austria	13.5485	13.8263	-0.0078	2.07	0.00	-15
NON ERM MEMBERS						
Greece	295.269	309.173	-0.18	4.71	-2.52	-
UK	0.793103	0.694807	+0.00202	-12.39	16.51	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.610	2.11	2.61	3.18	1.02	1.75	2.51
1.620	1.54	2.13	2.67	1.45	2.22	2.97
1.630	0.94	1.68	2.19	2.02	2.74	3.54

Previous day's vol., Calls 32 Puts 131. Prev. day's open int., Calls 25,880 Puts 24,099

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
0.565	1.10	1.39	1.67	0.34	0.54	0.73
0.570	0.79	1.09	1.39	0.52	0.74	0.94
0.575	0.53	0.83	1.12	0.81	0.99	1.18

Previous day's vol., Calls 232 Puts 676. Prev. day's open int., Calls 9,907 Puts 32,880

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.13	94.14	-0.05	94.17	94.12	82,491	605,026
Mar	94.06	94.09	-	94.11	94.05	113,482	447,863
Jun	93.98	94.02	-	94.04	93.96	74,985	342,174

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.02	95.04	-	95.04	95.01	150	4,909
Mar	95.03	95.06	-	95.07	95.02	178	4,249
Jun	-	94.98	-	-	94.97	53	234

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9575	0.38	0.39	0.15	0.18	0	0.01	0.10	0.13
9600	0.15	0.16	0.05	0.06	0.02	0.03	0.25	0.26
9625	0.01	0.03	0.01	0.01	0.13	0.15	0.46	0.46
9650	0	0	0	0	0.37	0.37	0.70	0.70
9675	0	0	0	0	0.62	0.62	0.95	0.95

Est. vol. total, Calls 40349 Puts 28881. Previous day's open int., Calls 302306 Puts 302844

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9800	0.14	0.12	0.11	0.16	0.38	0.59
9825	0.03	0.05	0.05	0.30	0.56	0.78

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3125 Puts 2819

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Exeter Trust Limited	8.00	●Singer & Friedlander	7.00
Allied Irish Bank (GB)	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
●Henry Ansbacher	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
Duncan Lawrie	7.00	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.00		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Timber markets stage recovery in Europe

By Frances Williams in Geneva

European timber markets have staged a recovery this year, but producers still face stiff competition from low-cost suppliers, according to the UN Economic Commission for Europe.

The ECE's timber committee said European demand has strengthened. It expects production and consumption to rise in 1997 and to be maintained in 1998.

Europe's sawn soft-wood consumption, which ended a two-year decline last year, is forecast to rise by 4 per cent to 75.9m cubic metres in 1997 and remain at that level in 1998.

Production is expected to increase by the same percentage to a record 78m cu m this year and next. Europe is still a net exporter of sawn soft-wood, largely to Asia where demand is increasing, the ECE says.

In central and eastern Europe the detailed picture is more mixed, with big increases in production of sawn soft-wood by the Baltic states but a continued decline in Russia, where domestic demand is weak and log prices high. Russian production is forecast to fall by 11 per cent in 1997 but to rise by 12 per cent in 1998.

Consumption of soft-wood logs in Europe will continue to expand this year and next, according to the ECE, as will demand for sawn hardwood and hardwood logs. However, European demand for wood-based panels such as particle board, plywood and fibre-board is expected to remain stagnant. Prices are under pressure amid signs of overcapacity for particle board and MDF, the ECE said.

Meanwhile, helped by a return to balance in the global pulp market, European output of pulpwood is set to increase this year and next, although fierce global competition continues to put pressure on prices.

The ECE, which groups over 50 countries in western and eastern Europe and North America, also drew attention to the increased re-use and recycling of forest products, including used pallets, packaging and many types of demolition wood, as well as waste-paper and sawmill residues.

"These developments mean the forest sector is coming closer to a 'closed-cycle' situation, which would represent a major contribution to sustainable development," the report said.

However, the ECE said it had detected little impact on the market of timber certified to be from sustainably managed forests. The ECE says the availability of such products is limited and in most cases they do not command a price premium.

Oil prices recover lost ground

MARKETS REPORT

By Robert Corzine and Alexander Stevenson

Futures prices on London's International Petroleum Exchange recovered some ground lost earlier this week when profit-taking and a reduction in Middle East tensions helped push the bellwether Brent Blend for November delivery well below $20 a barrel.

Brent was quoted in late London trading at $19.86, up 39 cents from Wednesday's close of $19.51. Brent was lifted in part by buying on the New York Mercantile Exchange after the latest figures from the US showed an unexpected fall in crude oil stocks, although some analysts described the data as broadly neutral.

Nizar Hamdoon, Iraq's ambassador to the UN, yesterday appeared to remove one of the uncertainties in the oil market when he said there was no link between the continuation of the oil-for-food programme and the current dispute between Baghdad and the UN Special Commission charged with dismantling Iraq's weapons of mass destruction.

On the London Metal Exchange copper dropped sharply, with traders blaming a bout of trade house selling from one source.

The price of three-month metal fell below $2,100 a tonne at one point, before recovering to close at $2,103, a fall of $21 on the day.

In the morning session copper had peaked at $2,150, largely on covering of "short" positions.

Zinc prices also fell in response to the announcement that stocks had increased by 5,500 tonnes. Three-month zinc closed just above the day's lows at $1,307, a fall of $11.

Russia looks to aluminium

By Kenneth Gooding, Mining Correspondent

There is little chance that demand for aluminium in Russia will pick up for some years, but "the Russian industry will be unbalanced and heavily biased towards production of primary metal, mainly for export" unless domestic consumption increases, according to a new study of the aluminium industry from Financial Times Energy Publishing.

Russia's domestic aluminium consumption is estimated to have dropped 80 per cent between 1988 and the mid-1990s, from 2.88m tonnes to 560,000 tonnes.

Nnamdi Anyadike, author of the study, says this was because virtually all Russia's aluminium fabricating plants were dedicated to producing for the military. "Developed world consumer icons, such as the aluminium beverage can and pre-packaged television dinners in aluminium foil were almost unknown in Russia in the early 1990s."

Now several ways of increasing aluminium consumption have been identified, in addition to packaging. These include increased use of aluminium in the wire and cable industries as Russia moves to upgrade its power transmission and distribution networks.

There has been investment at Russia's biggest aluminium rolling plant, Samara, to produce material for canning and to supply semi-fabricated products for export to the west. There is also a modern foil plant at Michailowsk in the Urals.

"Some western investors have expressed an interest in investing in can sheet facilities in Russia to supply the domestic market, although it is expected to be some time before any of these come to fruition," says Mr Anyadike.

In 1992 and 1993 there was also a brief flurry of activity as western aluminium companies sought agreements to provide equipment and technology to clean up and expand Russia's smelters. These have mostly fallen through as the smelters lacked the means to pay.

The former Soviet Union has nominal annual aluminium smelting capacity of 3.85m tonnes from 14 smelters, 11 of which are in Russia. Mr Anyadike points out that, depending on the option chosen, upgrading the 14 smelters could cost from US$241m, to make modest improvements, to $8bn to convert them to "state of the art" plants.

Aluminium: the Challenges Ahead. FT Energy, 149 Tottenham Court Road, London W1P 9LL.

European beef sector urged to change

By Maggie Urry

The only one way forward for the European beef regime is to become competitive on world markets without export subsidies, according to Prosper de Winne, head of the European Commission's beef, veal and sheepmeat division.

At a confidential special agriculture committee meeting in Brussels this week there was broad agreement by member states on the commission's analysis, Mr de Winne said at a conference on the meat industry, organised by AgraEurope.

The main point of discussion, he said, was how to share out compensation payments. German beef producers claim to have lost out in the 1992 round of Common Agricultural Policy reform to the benefit of others such as Irish farmers because of the way beef premiums had been structured.

Mr de Winne said "a new crisis of overproduction is looming sooner rather than later." Changes in the beef regime would have to be greater, quicker and more painful than before.

He said under the next round of world trade talks, due to begin in 1999, it would be difficult to defend export subsidies.

A 30 per cent price cut would give realistic scope for unsubsidised exports, he said, but some member states wanted a smaller cut, of perhaps 20 per cent. "The whole of Agenda 2000 [the commission's proposals for CAP reform] turns around the question 'Will we be able to export without refunds?'"

The worst outcome, he said, would be a cut in prices which was insufficient to allow unsubsidised exports. Then the "whole exercise would be for nothing".

Richard Cowan, head of the beef and sheep division of the UK agriculture ministry, said the UK broadly shared the commission's view. "It is clear that if nothing is done to resolve the over-supply there will be a large-scale collapse of markets." Price cuts should be at least 30 per cent, he said.

However, he said, any compensation payments introduced to offset the removal of price supports should be to "facilitate adjustment to the new order rather than be a permanent solution to the problem".

Mick Sloyan, head of pigmeat strategy at the Meat and Livestock Commission, said world consumption of meat had risen by a third over the last 10 years and was continuing to increase.

The largest growth market was Asia, where consumption is rising. World markets offered favourable prospects for the European Union to export pig and poultry meat. Owen Brooks, of the Irish food board, said Asian expansion would also fuel an expansion in EU beef exports.

Trevor Humphries

Big cuts in beef prices are needed to allow unsubsidised exports and avoid a large-scale collapse in markets

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1603-04	1624-25
Previous	1608.5-09.5	1624.5-25
High/low		1629/1615
AM Official	1601-2	1619-20
Kerb close		1625-26
Open int.	241,074	
Total daily turnover	94,923	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1450-55	1470-75
Previous	1435-40	1462-67
High/low		1480/1465
AM Official	1445-50	1465-75
Kerb close		1470-75
Open int.	5,183	
Total daily turnover	1,496	

■ LEAD ($ per tonne)

Close	601-2	612.5-3
Previous	598-99	610-11
High/low		618.5/609
AM Official	600-1	609-10
Kerb close		610-2
Open int.	29,797	
Total daily turnover	4,125	

■ NICKEL ($ per tonne)

Close	6485-95	6570-80
Previous	6410-15	6510-15
High/low		6580/6510
AM Official	6475-80	6555-65
Kerb close		6575-80
Open int.	54,782	
Total daily turnover	15,060	

■ TIN ($ per tonne)

Close	5615-20	5660-65
Previous	5615-25	5665-70
High/low		5700/5660
AM Official	5615-25	5660-65
Kerb close		5660-65
Open int.	15,839	
Total daily turnover	2,970	

■ ZINC, special high grade ($ per tonne)

Close	1298.5-99.5	1315-16
Previous	1306-07	1323-24
High/low		1337/1305
AM Official	1300-01	1317-8
Kerb close		1307-08
Open int.	77,778	
Total daily turnover	21,842	

■ COPPER, grade A ($ per tonne)

Close	2090-92	2110-11
Previous	2097-98	2120-21
High/low	2117/2112	2150/2097
AM Official	2113-4	2129-30
Kerb close		2102-03
Open int.	147,869	
Total daily turnover	69,014	

■ LME AM Official £/$ rate: 1.6171
LME Closing £/$ rate: 1.6200

Spot: 1.6186 3 mths: 1.6128 6 mths: 1.6072 9 mths: 1.6035

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	94.35	–1.55	96.50	94.00	321	732
Nov	94.80	–1.55	97.10	94.75	288	2,607
Dec	95.40	–1.65	97.70	94.70	8,587	26,808
Jan	95.50	–1.75	95.50	95.50	74	1,065
Feb	95.50	–1.75	96.10	96.10	55	1,155
Mar	95.75	–1.60	97.40	95.30	565	6,002
Total					10,731	52,943

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	326.50-327.00		
Opening	327.00-327.30		
Morning fix	327.30	201.91	476.55
Afternoon fix	327.35	202.07	476.29
Day's High	327.70-328.00		
Day's Low	326.30-326.60		
Previous close	326.60-327.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....2.57 6 months 2.65
2 months ....2.58 12 months 2.91
3 months 2.46

Silver Fix	p/troy oz.	US cts equiv.
Spot	315.45	510.25
3 months	318.90	513.90
6 months	323.20	517.45
1 year	328.80	524.75
Gold Coins	$ price	£ equiv.
Krugerrand	327-329	202-203
Maple Leaf	-	-
New Sovereign	76-78	47-48

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	324.9	–1.2	–	–	4	135
Nov	325.5	–1.3	–	–	303	1
Dec	326.8	–1.3	329.1	326.0	35,331	86,307
Feb	328.1	–1.2	330.5	327.5	1,142	22,153
Apr	329.7	–1.2	331.5	329.2	78	5,989
Jun	331.5	–1.2	333.7	332.0	395	10,053
Total					37,019	173,412

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	427.5	–10.4	435.5	430.0	10	156
Jan	429.5	–10.4	441.0	426.0	1,068	13,118
Apr	424.5	–10.4	426.8	426.0	6	901
Jul	421.0	–10.4	427.5	427.5	11	21
Total					1,094	14,196

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	224.10	+8.65	224.45	221.50	410	3,794
Mar	220.40	+8.95	220.45	217.50	177	623
Jun	216.90	+8.95	–	–	–	113
Sep	210.90	+8.95	–	–	–	2
Total					592	4,537

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Oct	487.6	–15.5	508.0	508.0	60	34
Nov	489.2	–15.7	–	–	1	1
Dec	491.0	–15.7	511.5	489.5	14,474	70,577
Jan	492.3	–15.8	–	–	2	20
Mar	495.9	–16.0	516.0	495.5	1,047	19,900
May	499.6	–16.1	518.0	499.0	31	3,212
Total					15,747	103,869

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	20.84	+0.27	20.92	20.47	44,709	67,581
Dec	20.97	+0.27	21.08	20.67	44,577	99,111
Jan	20.96	+0.26	21.02	20.74	12,352	50,189
Feb	20.89	+0.24	20.95	20.69	4,902	27,192
Mar	20.85	+0.27	20.85	20.62	3,055	15,064
Apr	20.70	+0.20	20.70	20.57	1,434	12,778
Total					119,079	426,559

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	19.79	+0.28	19.82	19.63	6,113	18,477
Dec	19.83	+0.28	19.86	19.66	15,967	80,175
Jan	19.82	+0.24	19.85	19.70	2,024	32,228
Feb	19.73	+0.21	19.75	19.65	350	14,764
Mar	19.60	+0.19	19.60	19.55	84	5,591
Apr	19.47	+0.19	19.47	19.35	41	3,195
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	57.90	+0.96	58.20	56.90	14,065	41,863
Dec	58.95	+0.99	59.20	57.85	10,791	40,768
Jan	59.60	+0.94	59.80	58.65	3,564	21,785
Feb	59.65	+0.69	59.90	59.45	1,720	11,307
Mar	58.85	+0.59	59.00	58.65	347	8,201
Apr	57.45	+0.74	57.45	57.00	240	5,234
Total					31,466	148,808

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	180.00	+2.25	180.25	177.75	7,674	34,319
Dec	181.25	+2.00	181.50	179.50	3,367	18,661
Jan	182.75	+1.75	182.75	181.00	848	15,117
Feb	183.00	+2.00	182.50	181.50	273	7,373
Mar	180.50	+1.50	180.00	179.00	93	5,150
Apr	178.00	+1.50	–	–	–	2,405
Total					13,671	97,047

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Nov	13.100	–	13.100	13.100	110	1,240
Dec	15.570	–0.050	15.600	15.570	35	1,485
Total					236	12,385

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	3.210	+0.171	3.235	3.020	17,347	43,943
Dec	3.295	+0.164	3.340	3.130	4,760	39,675
Jan	3.240	+0.126	3.264	3.110	2,438	28,033
Feb	2.920	+0.112	2.950	2.800	689	19,445
Mar	2.630	+0.090	2.640	2.530	1,023	14,076
Apr	2.380	+0.064	2.385	2.360	244	8,828
Total					28,266	238,282

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	59.30	+1.10	59.40	58.00	17,251	30,810
Dec	59.05	+0.89	59.20	57.80	6,845	21,004
Jan	59.10	+0.78	59.25	58.45	1,388	15,609
Feb	59.40	+0.73	59.50	59.40	803	5,856
Mar	59.60	+0.39	59.60	59.60	871	5,375
Apr	62.15	+0.28	62.15	62.15	1,151	3,714
Total					28,946	99,331

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	86.55	–0.20	86.90	86.50	82	1,512
Jan	88.55	–0.10	88.90	88.50	108	3,174
Mar	90.50	–0.15	90.80	90.50	130	2,895
May	92.50	–0.10	92.80	92.45	81	1,956
Jul	94.50	–0.25	–	–	–	193
Total					401	9,730

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	365.25	–4.50	372.50	365.00	10,580	62,125
Mar	378.50	–4.25	384.50	377.50	3,508	27,600
May	385.75	–3.25	390.00	385.00	269	5,255
Jul	387.25	–2.50	390.00	386.00	903	12,578
Sep	390.50	–3.00	394.50	390.50	2	83
Dec	400.50	–2.50	404.00	400.50	69	2,954
Total					15,331	110,623

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	287.00	–3.00	290.75	286.50	38,539	207,024
Mar	296.25	–2.50	299.50	296.00	11,186	88,462
May	301.25	–2.50	304.50	300.75	3,483	25,279
Jul	305.25	–2.00	307.75	305.00	3,436	33,650
Sep	292.00	–2.50	294.50	292.00	119	2,555
Dec	288.75	–2.50	291.50	288.50	2,618	21,938
Total					59,498	379,600

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Nov	78.40	–0.10	78.55	78.50	32	873
Jan	81.55	–0.05	81.65	81.65	20	1,050
Mar	83.40	+0.15	–	–	–	375
May	85.10	+0.10	–	–	–	23
Sep	84.00	–	–	–	–	6
Total					52	2,327

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	702.00	–2.50	711.00	701.00	39,029	82,725
Jan	706.50	–2.75	715.50	706.00	12,800	43,410
Mar	714.25	–3.25	721.50	713.50	4,579	18,938
May	718.50	–3.00	728.00	717.50	2,737	14,652
Jul	724.00	–5.00	733.00	724.00	2,281	12,678
Aug	719.00	–4.50	728.00	719.00	17	467
Total					62,119	179,292

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	24.67	+0.28	24.82	24.39	659	858
Dec	24.98	+0.24	25.18	24.66	8,540	56,646
Jan	25.21	+0.25	25.36	24.94	1,774	20,965
Mar	25.45	+0.22	25.60	25.22	958	11,232
May	25.57	+0.17	25.70	25.45	780	7,197
Jul	25.70	+0.15	25.80	25.60	924	7,548
Total					13,636	105,992

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	229.2	–5.2	234.5	229.0	2,227	3,972
Dec	224.8	–4.5	229.8	224.5	9,750	47,751
Jan	223.9	–4.5	228.3	223.7	3,119	20,336
Mar	221.0	–3.7	225.0	220.5	2,437	18,571
May	219.9	–3.4	223.3	219.0	2,967	16,682
Jul	221.4	–3.5	224.5	221.3	879	10,684
Total					21,601	122,649

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	54.5	–	–	–	–	6
Mar	88.0	+0.5	–	–	–	–
Apr	113.0	+1.0	114.0	112.0	85	1,150
May	123.0	–	–	–	–	22
Jun	133.0	–	–	–	–	–
Total					85	1,178

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Oct	1365	–36	1390	1365	117	1,007
Nov	1431	–44	1470	1430	116	688
Dec	1435	–45	1460	1440	13	82
Jan	1435	–45	1479	1435	48	613
Apr	1455	–30	1460	1460	14	306
Total					308	2,741

	Close	Prev
BFI	1359	1361

PULP AND PAPER

■ PULPEX OMLX ($6; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	577.00	+1.00	577.00	573.00	37	306
Mar	591.25	+0.25	592.00	591.25	6	211
Total						

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallet and Co
This week saw another superfine merino offering in Australia, but prices closed lower than at the previous appreciably dearer Newcastle auction. Apart from this erratic downturn in some of the finer merinos, prices stayed reasonably firm, with only minor declines. The main eastern market indicator in Australia closed at 696 cents a kg, 9 cents down on the week. The NZ indicator closed 2 cents down a 457 cents a kg. British wool sold particularly well at this week's Bradford auction, with prices around 5 per cent dear than at the previous comparable sale on September 24.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1103	+3	1110	1098	1,235	46,676
Mar	1127	+2	1132	1124	1,129	53,071
May	1145	+3	1147	1144	278	23,591
Jul	1162	+3	1165	1163	118	9,060
Sep	1180	+2	1185	1182	288	17,874
Dec	1191	+2	1196	1190	1,765	19,488
Total					6,398	188,945

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1628	–16	1651	1623	4,028	44,796
Mar	1663	–13	1684	1657	1,354	27,807
May	1685	–11	1701	1675	126	12,104
Jul	1705	–11	1720	1710	27	3,687
Sep	1724	–11	–	–	24	4,735
Dec	1741	–11	–	–	51	9,078
Total					5,610	113,393

■ COCOA (ICCO) (SDR's/tonne)

Oct 15	Price	Prev. day
Daily	1273.88	1270.02

■ COFFEE LIFFE (5 tonnes; $/tonne)

Nov	1580	–1	1605	1575	1,745	12,307
Jan	1600	–1	1625	1595	3,444	13,714
Mar	1613	–1	1640	1610	486	6,225
May	1618	–5	1640	1627	210	1,489
Jul	1628	–7	–	–	–	434
Sep	1638	–7	–	–	–	211
Total					5,885	34,418

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	157.25	–8.80	168.75	157.00	4,382	11,724
Mar	144.15	–6.10	152.95	144.00	984	6,895
May	140.30	–4.70	148.50	140.25	200	2,313
Jul	136.00	–5.00	143.25	136.00	77	2,355
Sep	132.05	–4.20	135.00	133.00	62	533
Dec	128.25	–3.25	134.00	128.60	13	449
Total					5,719	24,275

■ COFFEE (ICO) (US cents/pound)

Oct 15		Prev. day
Comp. daily	125.60	125.88
15 day average	126.45	126.60

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Dec	301.0	–1.0	303.0	300.5	848	10,397
Mar	307.4	–1.3	309.2	306.5	1,378	14,298
May	312.3	–1.8	313.0	313.0	8	3,091
Aug	316.7	–0.8	–	–	–	2,090
Oct	314.6	–0.2	–	–	–	3,025
Dec	315.8	–0.4	–	–	–	124
Total					2,834	33,036

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	11.78	–0.07	11.87	11.74	9,395	92,069
May	11.80	–0.07	11.88	11.78	2,240	24,706
Jul	11.72	–0.07	11.80	11.71	1,865	18,841
Oct	11.69	–0.08	11.76	11.68	1,792	16,498
Mar	11.62	–0.08	11.71	11.66	169	3,896
May	11.57	–0.06	11.68	11.68	45	227
Total					15,461	158,312

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	71.38	+0.16	71.45	71.06	5,085	50,612
Mar	72.82	+0.17	72.85	72.60	1,130	15,414
May	73.75	+0.26	73.79	73.45	881	8,344
Jul	74.47	+0.17	74.50	74.35	371	7,553
Oct	76.10	+0.42	76.10	75.68	4	763
Dec	76.21	+0.40	76.35	75.90	222	8,484
Total					7,673	92,477

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	68.30	+0.35	68.60	67.60	1,188	14,747
Jan	71.60	+0.75	71.85	70.85	1,255	14,384
Mar	74.80	+0.70	74.85	74.00	428	8,890
May	77.80	+0.70	77.90	77.10	28	2,160
Jul	80.80	+0.80	80.35	80.35	22	925
Sep	83.80	+0.80	–	–	–	328
Total					2,939	41,632

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 16	Oct 15	month ago	year ago
1892.2	1895.2	1913.6	1860.2

■ CRB Futures (Base: 1967 = 100)

Oct 15	Oct 14	month ago	year ago
244.75	244.91	-	-

■ GSCI Spot (Base: 1970 = 100)

Oct 15	Oct 14	month ago	year ago
202.16	202.15	194.99	211.65

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+600	to	744,250
Aluminium alloy	–320	to	48,760
Copper	+500	to	338,050
Lead	–375	to	120,025
Nickel	+1,488	to	64,188
Zinc	+5,500	to	458,175
Tin	–110	to	10,275

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	68.025	+0.925	68.100	67.425	1,710	5,947
Dec	66.850	+0.650	66.975	66.350	7,465	43,689
Feb	69.175	+0.400	69.350	68.900	3,378	20,508
Apr	72.675	+0.250	72.800	72.425	1,871	12,938
Jun	70.025	+0.175	70.150	69.850	1,129	8,959
Aug	69.600	+0.100	70.000	69.550	239	2,716
Total					15,894	96,712

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	62.000	+0.200	62.450	61.825	4,338	19,961
Feb	61.700	+0.200	62.275	61.525	1,813	8,174
Apr	59.450	+0.325	60.225	59.300	685	3,050
Jun	66.175	+0.500	66.700	65.800	149	1,545
Jul	64.700	+0.500	65.450	64.100	19	849
Aug	63.500	+0.600	63.650	63.000	9	218
Total					7,071	38,313

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	60.625	+1.325	60.700	59.000	2,923	6,809
Mar	60.475	+1.225	60.650	59.100	327	836
May	62.200	+1.200	62.200	60.600	15	167
Jul	63.000	+0.775	63.200	61.300	2	103
Aug	61.900	–	–	–	1	13
Total					3,268	7,953

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1575	57	87	9	35
1600	40	72	16	44
1625	26	60	28	56
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
2050	68	113	24	65
2100	40	88	45	88
2150	21	67	76	116
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1550	34	108	3	58
1600	5	81	24	81
1650	-	60	186	110
■ COCOA LIFFE	Dec	Mar	Dec	Mar
1100	38	82	35	55
1125	27	70	49	68
1150	19	59	66	82
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1950	-	-	47	-
2000	46	75	-	-
2050	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.92-9.02w	+0.37
Brent Blend (dated)	$19.51-9.53	+0.19
Brent Blend (Dec)	$19.98-9.96	+0.31
W.T.I.	$18.92-9.02w	+0.31

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$208-210	
Gas Oil	$183-185	+3
Heavy Fuel Oil	$98-100	+1
Naphtha	$198-200	
Jet fuel	$198-199	+2
Diesel	$191-192	+4

■ NATURAL GAS (Pence/therm)

Bacton (Nov)	13.05-13.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

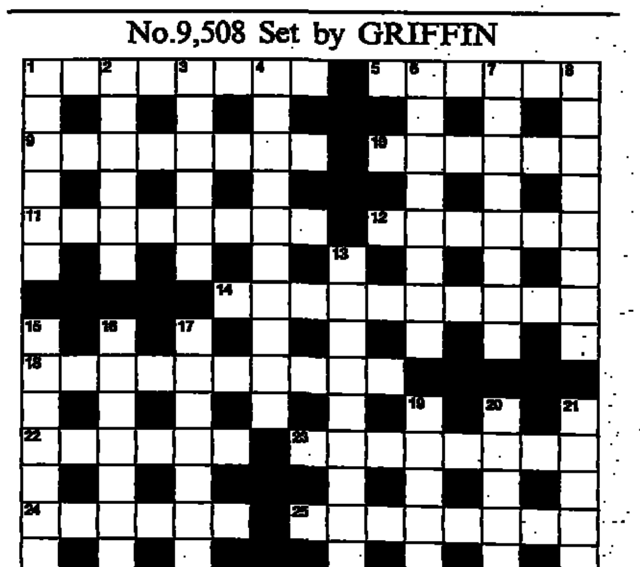
Gold (per troy oz)♣	$326.75	-0.10
Silver (per troy oz)♣	510.25c	+11.25
Platinum (per troy oz.)	$431.00	-7.00
Palladium (per troy oz.)	$222.50	+4.00
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	17.72r	+0.53
Tin (New York)	264.5	+1.0
Cattle (live weight)	94.90p	-1.23*
Sheep (live weight)	106.14p	+3.51*
Pigs (live weight)†	74.50p	+1.70*
Lon. day sugar (raw)	$276.20	+1.10
Lon. day sugar (wte)	$299.00	+0.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	58.00p	
Rubber (Dec)♥	58.00p	
Rubber (KL RSS No1)	279.0z	-0.5
Coconut Oil (Phil)§	615.0z	-10.0
Palm Oil (Malay.)§	520.0z	-2.5
Copra (Phil)§	$403.0z	
Soyabeans (US)	225.5	-2.0
Cotton Outlook'A' index	77.50c	-0.10
Wooltops (64s Super)	428p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. z Oct/Nov. w Dec. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,359 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,508 Set by GRIFFIN



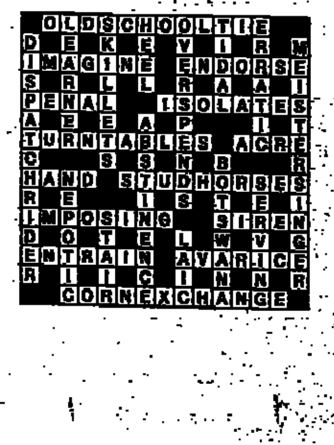
ACROSS

1, 5 Taking responsibility for bearing he can't replace (8,3,3)
9 To charge one in Paris starts getting awkward (8)
10 Coming back after mid-day strips off (6)
11 Checked female deer with another deer (8)
12 Paddy has left or returned with car driver (6)
14 Duo in denim danced, gradually getting quieter (10)
18 Figure it's the drink that makes you drunk? (6,4)
22 Was unprepared to return capital (6)
23 One training in the fruit department? (8)
24 It's no good running to get home (4,2)
25 Where Edward VIII and George VI put on weight? (8)
26, 27 Hairy politician imprisons scoundrels for a joke! (6,3,5)

DOWN

1, 15 Surprised by huge car aunt was manoeuvring (6,8)
2 Removing top of grille for sailor (6)
3 Looked bored by study method being brought up (6)
4 Scandinavians, being insane, grow bananas! (10)
6 Still out of bed, kept quiet (6,2)
7 Encouraging man to enter church band (8)
8, 21 Coming from Nepal nobody ran out of drink! (8,6)
13 In grand surroundings one girl stands very quietly (10)
15 See 1 down
16 Covering many things it goes over one's head (8)
17 Acting you need to live with (8)
19 Like ugly old woman dropping hot dish? (6)
20 Restaurant in pub is troubled by drunks (6)
21 See 8 down

Solution 9,507



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chge	Notes Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Currency Funds Ltd					
Pembroke Hall, Pembroke, Bermuda					
A Accum		A$10.014		+0.002	3.70
C Accum		C$19.080		+0.001	2.40
...					
Yen Accum		Y2660.0		-	0.10
Prices for dealing October 16					
Jupiter Asset Management (Bermuda) Ltd					
PO Box HM1250, Hamilton, Bermuda 001 809 292 2760					
Jupiter Tyndall World Umbrella Fund Ltd					
Eurobond		$16.30	17.21	-0.16	3.69
Money		$14.35	15.29	-0.01	2.14
Mortgage		C$25.01	26.27	-0.02	6.54
North American		$19.56	20.74	+0.18	0.00
Overseas		$16.18	16.95	-0.1	0.00
Tiger		$14.25	14.92	-0.37	0.00
UK Small Cos		£1.51	1.59	+0.02	0.00
Newport Investment Management					
20 Reid St, PO Box HM 3398 Hamilton Bermuda					
Nat. Pacific	5	$4.14		-0.01	-
Nat Pacific		£2.56		-0.01	-

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

	Init Chge	Notes Selling Price	Buying Price	+ or -	Yield Gr's
Royal Bk of Canada O/S Fd Mgrs Ltd					
PO Box 246, St Peter Port, Guernsey 01481 723021					
Global Funds					
Cont'l Euro Class F	0		31.989	-	-
Cont'l Eur Class Acc F	0		32.122	-	-
Sterling Int Cap Class F	0		12.940	-	-
Sterling Int Cap Class Acc F	0		13.051	-	-
Intl Bond Class F	0	$13.418	13.452	-	-
Intl Bond Class Acc F	0	$14.337	14.371	-	-
Asian Growth Class F	0	$7.530	7.071	-	-
Asian Growth Class Acc F	0	$7.540	7.891	-	-
Japan Class F	0		448.829	-	-
Japan Class Acc F	0		449.029	-	-
CanMan Class F	0		31.365	-0.207	-
Canadian Class Acc F	0		31.365	-0.207	-
USA Class F	0	$46.370	47.364	-0.068	-
USA Class Acc F	0	$46.375	47.364	-0.068	-
Dollar Intl Cap Class F	0	$9.168	9.782	-	-
Dollar Intl Cap Class Acc F	0	$9.215	9.312	-	-
UK Equity Class F	0	£7.705	7.916	-	-
UK Equity Class Acc F	0	£7.902	8.035	-	-
North American Bond Cl Inc F	0		104.380	-	-
North American Bond Cl Acc			138.836	-	-
European Bond Cl Inc F	0		115.719	-	-
European Bond Cl Acc F	0		121.744	-	-
Swiss Franc Bond Cl Inc F	0		104.227	-	-
Swiss Franc Bond Cl Acc F	0		108.980	-	-
UK Bond Cl Inc F	0		0.5170	-	5.00
UK Bond Cl Acc F	0		0.6696	-	0.00
Latin America Inc F	0	$7.280	12.4070	-	-
Latin America Acc F	0		12.4070	-	-
Intl Currencies Fd Ltd					
US$		$45.77		+0.01	4.68
Canadian $		C$57.74			3.51
£ Sterling		£33.59		+0.01	0.18
D-Mark		DM66.83		-	2.12
Swiss Francs		SFr85.85		+0.01	0.43
Japanese Yen		Y6662		-	0.15
Managed Fund		$44.41		-0.09	-
Latest Fund Prices: 24hr service 01481 710043					
Sarasin Funds Mngmt (Guernsey) Ltd					
PO Box 246, St Peter Port, Guernsey 01481 723021					
GlobalSar Dollar Accum	5		42.98	-0.28	-
GlobalSar Dollar Dist	5		38.02	-0.24	2.20
GlobalSar Stg Dist	5		24.23	-0.11	2.73
GlobalSar Stg Accum	5		36.26	-0.14	-

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

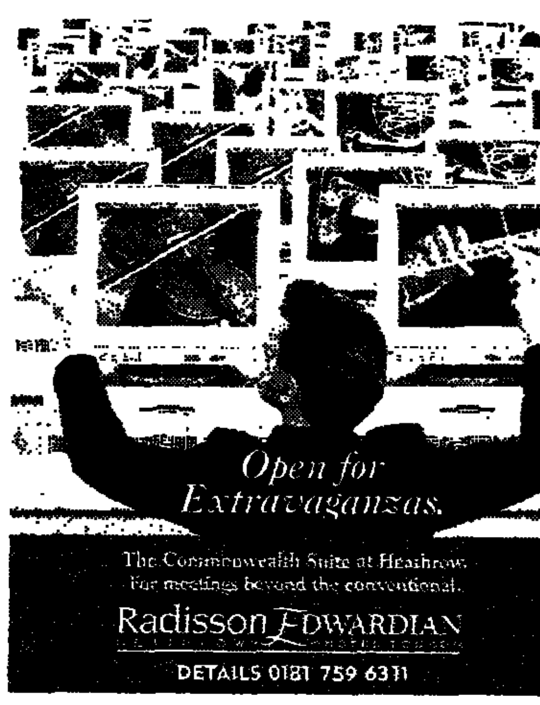
ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)



Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Aetna Master Fund (x) (z)

Fleming Group - Contd.

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credit Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Tower Fund

Tweedy, Browne Value Funds

Union Financial Services SA Lux

Friends Provident International

LUXEMBOURG (REGULATED)(**)

ACM Offshore Funds

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Professional Investment Consultants

Royal Life International

Royal Court, Athory Rd, Castletown IoM 01624 821212

Royal Skandia Life Assurance Ltd (z)

BEA Associates

Julius Baer Bank & Trust Co Ltd

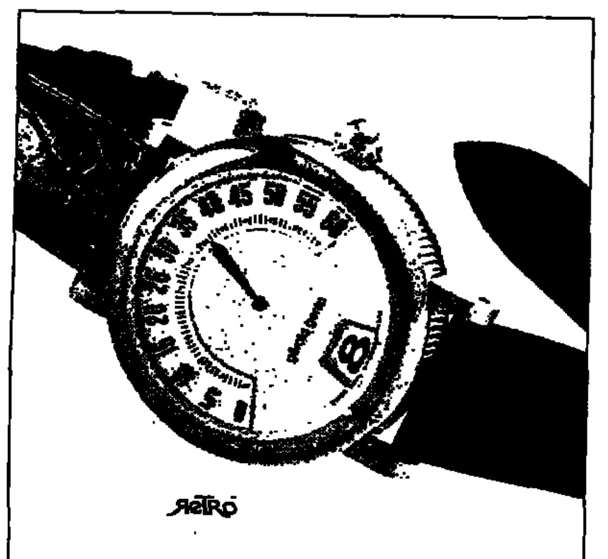
Banca Reig. S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

Bank of America

OTHER OFFSHORE FUNDS



Gryphon Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Gryphon Bond Fd Ltd Sep 10	$95.18		—	-
Pacific Performance Ltd	$100.89		—	-

Guardian Global Asset Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Growth NAV Sep 26	$135.0191		—	-
Protector NAV Sep 25	$120.3403		—	-
Geared NAV Sep 25	$142.5007		—	-

HSBC Asset Management (Bahamas) Ltd

Kenmar Management Limited - Contd.

Key Asset Management Inc

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£23¼	—	*£27¼	£20¼	1,499	3.1	⊕
Barlow	‡†	£7½	+⅛	£8⅞	£5¼	1,453	2.0	15.1
Gold Flds Prop R		155½	-¼	197	122	18.9	5.5	12.1
SA Brews		£17½	+½	£23¼	£13¾	5,248	2.1	⊕
Standard Bank		£28¼	+¼	£30	£21	3,484	2.0	-
Tiger Oats	†	1010	+40	1189	790	1,328	1.8	19.6
Tongaat-Hulett		759¼	+1¼	780	576¼	737.8	2.5	⊕

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ‡† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend). R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
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Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.
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LONDON STOCK EXCHANGE

Equities rise on increased consolidation hopes

MARKET REPORT

By Peter John

London equities remained remarkably cool in the face of a welter of crash and hurricane anniversary stories. And the market refused to be unsettled by worries about the imminent arrival of the new order-driven trading system.

The FTSE 100 index sailed comfortably higher to close up 24.2 at 5,287.9, just below the high of the day.

The junior indices followed suit with the FTSE 250 index lifting 28.0 to 4,963.8, a new closing high, and the FTSE SmallCap topping 2,400 for the first time, and closing 11.6 up at 2,405.3.

And while there have been reports of marketmakers holding back ahead of Monday's shift to fully automated trading, volume remained respectable at 817.9m shares by 6pm.

The principal motors behind yesterday's rally were both stock-specific and cross-border.

Initially, encouragement sprang from the news that GTE of the US was entering the battle for MCI. BT, which saw its takeover attempt for the US group trumped by WorldCom, has a 20 per cent stake in MCI.

The UK telecoms group is seen as likely to benefit whatever happens. Either BT's stake will rise in value or the company will be able to take part in some kind of three-way merger.

However, the BT news was only the most high profile among a clutch of international deals either working their way through the system following the rush of announcements on Monday or suspected to be around the corner.

More details emerged about BAT's insurance merger with Zurich of Switzerland. And this week's announcement of a deal between Reed Elsevier and Wolters Kluwer of the Netherlands continued to drive forward other media companies.

Among financials and insurers, there was speculation about a tie-up between UBS and Dresdner Bank. And the possibility of further activity among French insurers remained in the background.

Strategists said worries that the Labour government would clamp down on domestic mergers were fading as cross-border deals became the buzz phrase.

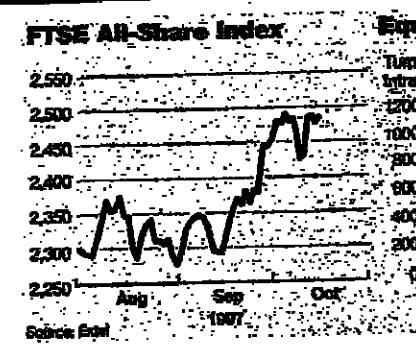
Robert Buckland of HSBC James Capel pointed out that the game had changed. "Domestic factors are not dictating domestic markets at the moment," he said. "It is so dangerous to be parochial in markets now."

Thus, yesterday's PSBR failed to ignite or dampen market passions. The inflation data from the US caused only a brief rally on Wall Street. And while gilts were broadly weaker, that reflected the softer tone in mainland Europe rather than the UK economy.

"There is a lot of noise out there but it's just white noise," said one leading equity market strategist. "Were it not for people reminding the market constantly about 1987, there would be no cause to think about it."

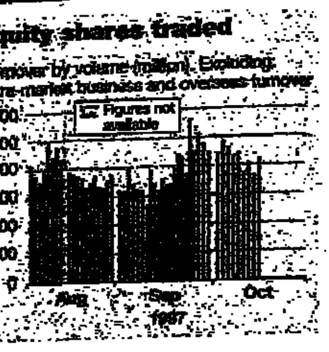
Nevertheless, the mention by some marketmakers of today's Malaysian budget as a focus for concern reflected the underlying nervousness in the UK.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	5287.9	+24.2
FTSE 250	4963.8	+28.0
FTSE 350	2546.4	+12.1
FTSE All-Share	2487.28	+11.90
FTSE All-Share yield	3.13	3.15
FT 30	3430.3	+13.5
FTSE Non-Fins p/e	20.92	20.82
FTSE 100 Fut Dec	5385.0	+52.0
10 yr Gilt yield	6.56	6.53
Long gilt/equity yld ratio	2.11	2.09

Best performing sectors

1. Telecommunications .... +3.6
2. Utilities .... +1.8
3. Electronic & Elec .... +1.7
4. Engineering: Vehicles .... +1.3
5. Oil Exploration .... +1.2

Worst performing sectors

1. Retailers: General .... −0.8
2. Retailers: Food .... −0.5
3. Tobacco .... −0.5
4. Insurance .... −0.4
5. Life Assurance .... −0.3

Buyback hopes lift BT

By Joel Kibazo, Peter John, Martin Brice and Alexander Stevenson

British Telecommunications was far and away the best Footsie performer of the day as leading institutions savoured the prospect of a bumper share buy-back.

The shares advanced 24¼ or 5.5 per cent to 471½p as a hefty 46m shares were dealt, the most heavily traded stock during the session.

Speculation that the group would return funds to shareholders possibly in the form of a share buyback emerged as the market digested the overnight news that US group GTE had launched a $28bn all-cash offer for MCI Communications. The US group is already the subject of an agreed $24bn cash and paper offer from BT and a hostile $30bn all-paper bid from WorldCom.

Several analysts suggested the latest offer for MCI is likely to win the day over WorldCom and several institutional shareholders were said to have instead turned their attention to the prospect of BT disposing of its 20 per cent stake in MCI to the winning group. Several institutional shareholders were said to be looking forward to BT using the proceeds to fund a share buy-back.

Rumours that BT is in some way connected to GTE's bid for MCI also did the rounds yesterday. Mike Williams at NatWest Securities said: "The GTE bid has BT's fingerprints all over it. They must have brokered it. There is not much scope for WorldCom to improve a cash element in its offer so GTE can exploit this point."

Pharmaceuticals heavyweights were under pressure after Merck, the US leader, announced disappointing figures.

A sharp reduction in third-quarter sales growth prompted Merrill Lynch, the US broker, to cut its rating on the US company from "accumulate" to "long-term neutral".

Glaxo falls

Merck shares fell more than 5 per cent after the news. And there were knock-on effects in the UK, particularly for Glaxo Wellcome, which also faces potentially strong competition from Medeva.

Medeva produced some very encouraging data for its hepatitis B treatment which would be a competitor to Glaxo's Lamivudine, the blockbuster predicted to produce sales of up to $1bn a year.

Mr James Culverwell at Merrill Lynch said the Medeva news was "about as encouraging as Phase II data can get".

Alyson Coates of SocGen commented: "The data looked as good as anything I have seen on hepatitis B but it only covers 21 patients and it is very early days."

Glaxo dropped 6¼ to £13.49¾ although analysts said the Merck issues were specific to the company and had little bearing on the UK leaders. Medeva jumped 20¼ to 245½p.

Electricity generators rose on relief at the benign comments from the industry regulator. National Power jumped 14¼ to 565½p while PowerGen, which has been boosted by stories of Spanish expansion, recorded a lesser gain of 7 to 759½p.

Confirmation early yesterday that BAT Industries had agreed terms to merge its financial services operations with Zurich Insurance Group and to demerge its tobacco business into a separate floated company, sent the shares soaring in the first half of the session. In brisk trading, the shares touched a peak of 619p.

However, fears that investors in Zurich may reject the planned merger took hold in the second half of the session, prompting a late sell-off in the UK group.

The shares ended the day 4¼ lighter at 596¼p after busy trade of 20m.

After a troubled period which has seen its share price drop from 135p in May to 95½p in October, Care First Group, the nursing homes business, climbed 12 to close at 115p yesterday. Two factors appeared to influence the rise: first the announcement that it would be a preferred provider of care home services for Norwich Union, whose shares went up 6 to 362p, and second the government's recent announcement of £300m extra healthcare spending, some of which may find its way to Care First. This extra £300m also helped sentiment towards Westminster Healthcare, which was up 8 to 315½p.

The news that T&N had agreed to a 260p-a-share bid by Federal-Mogul of the US saw its stock advance 2½ to 256p in very busy trade of 12m and led to similar vehicle engineers being marked up.

GKN gained 25½ to £14.74, helped by a 1½ pfennig weakening of the pound against the D-Mark. Traders also said there was a squeeze on the stock.

After BT, Rolls-Royce was the second most actively traded stock with 31m dealt as the shares surrendered 3 to 232p. Traders said the high volume was due to an agency cross, with batches of 9m, 7m, 2m and 3.2m going through, the latter at 230p.

Railtrack slips

Railtrack dipped 5¼ to 996½p, bringing it very close to the £10 level that Daiwa says is fair value for the stock. Kevin Fogarty at the broker has told clients: "The dramatic rise in Railtrack's share price since privatisation has significantly reduced the attractions of the stock."

Hanson firmed to 307p after a report that it had decided not to step into the Lafarge bid for Redland, which advanced 3½ to 343½p, 23½p above the French group's offer.

Analysts expect Lafarge to increase its bid, and Mike Betts at Goldman Sachs has told clients he believes Redland will succumb to an agreed bid at 375p a share.

Hopes of further consolidation in the telecoms sector helped boost several stocks.

Titon Holdings, the building products company, fell 14 to 92½p after warnings that it was not on target to meet profit expectations. Mark Howson, at house broker Beeson Gregory, revised profits downwards by 12 per cent for 1997 and 11 per cent for 1998.

Construction group Jarvis rose 36 to 318½p, one of the largest rises in the All-Share, after it announced it had received regulatory clearance to take over Fastline, a track renewal company.

Software group Vega rose 20 to 245p after it announced it was part of a consortium that had won a contract for crew training by the RAF.

Speculative support boosted Pearson, the owner of the Financial Times, by 17½ to 841½p, a new closing peak. Dealers said there was a big buy order working its way through the system, prompting vague talk of US corporate interest.

FT 30 INDEX

	Oct 16	Oct 15	Oct 14	Oct 13	Oct 10	Yr ago	*High	*Low
FT 30	3430.3	3416.8	3424.6	3421.2	3366.7	2864.4	3430.3	2668.8
Ord. div. yield	3.29	3.30	3.30	3.32	3.35	3.97	4.22	3.29
P/E ratio net	22.33	22.25	22.30	22.18	21.94	17.38	22.33	15.80
P/E ratio nil	22.02	21.95	22.00	21.87	21.64	17.22	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3431.9	3423.1	3432.5	3425.9	3426.9	3427.2	3431.8	3429.6	3430.4	3433.8	3422.2

	Oct 16	Oct 15	Oct 14	Oct 13	Oct 10	Yr ago
SEAQ bargains	48,010	45,487	48,867	53,689	45,267	37,499
Equity turnover (£m)†	-	2988.7	2811.8	2962.7	2629.2	1592.7
Equity bargains†	-	46,077	50,542	55,254	44,566	32,966
Shares traded (ml)†	-	805.3	819.1	840.4	729.7	523.0

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	958	Total Highs	154	Total contracts	47,766
Total Falls	449	Total Lows	35	Calls	23,351
Same	1,656			Puts	24,415

Oct 16 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5345.0	5385.0	+59.5	5390.0	5307.0	10706	73727
Mar	5370.0	5433.5	+60.0	5416.5	5370.0	186	2027

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	5000.0	+25.0	-	-	0	8534

■ FTSE 100 INDEX OPTION (LIFFE) (*5288) £10 per full index point

Strikes 5100, 5150, 5200, 5250, 5300, 5350, 5400, 5450 (C, P for each); rows Oct, Nov, Dec, Jan, Jun†: [illegible]

Calls 6,535 Puts 5,071

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P	5325 C	5325 P	5375 C	5375 P	5425 C	5425 P	5475 C	5475 P	5525 C	5525 P
Oct	152½	1	104	2	59	7	24	22	5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	253	70	217½	84	184	100½	154	119½	127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	309	101½	274½	116½	243	134½	213	154	184	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar			369	187			328	223			[illegible]	[illegible]			[illegible]	[illegible]
Jun†			473	218½			411½	252			[illegible]	[illegible]			[illegible]	[illegible]

Calls 9,534 Puts 7,531 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	448.1	180½	152½	Aggreko	171½	-1	W3.5	2.0	2.6	24.0
-	F.P.	0.74	17½	16½	†Buckland Inv	17½		-	-	-	-
-	F.P.	0.08	12	8	†Buckland Inv Wrt	10		-	-	-	-
-	F.P.	96.5	96½	94	Cairngrm Demut IT	96½		-	-	-	-
-	F.P.	-	20½	15½	Cairngrm Wrts	20		-	-	-	-
-	F.P.	3.38	3¼	2½	†Canbury Inv	2½		-	-	-	-
-	F.P.	0.68	1½	½	†Canbury Inv Wrts	¾		-	-	-	-
-	F.P.	127.5	174	155½	Creative Publish	158		LW7.0	1.4	5.5	16.1
100	F.P.	8.43	155	109½	†Computerland UK	140½		M1.45	4.6	1.3	21.0
§134	F.P.	7.08	147½	134½	†I S Solutions	147½		-	-	-	49.9
155	F.P.	17.5	176½	162½	Latchways	174½		-	-	-	-
*	F.P.	79.5	79½	70½	†Metalrussia	79½	+9	-	-	-	-
§115	F.P.	16.1	165½	140	†NSB Retail Sys	165½	+3	L1.15	1.8	0.9	64.3
*	F.P.	2,209	504½	450	Northern Rock	497½	+2	L9.05	2.8	2.3	19.6
70	F.P.	28.6	63½	53	Nott'ham Forest	63		-	-	-	-
§245	F.P.	148.5	278½	245	SHL Group	278½		LW4.5	-	2.0	-
§148	F.P.	8.55	187½	152½	†Solitaire	187½	+5	R6.0	1.2	4.0	13.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Oct 15	% chg on day	Oct 14	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	1491.72	−1.3	1511.99	1898.28	2.00	-	1985.11	1270.14
■ Regional Indices								
Africa (15)	1469.36	−1.8	1496.48	2497.89	5.19	25.19	2502.51	1224.90
Australasia (6)	1584.93	−1.0	1600.64	2151.56	2.56	18.48	2218.00	1336.10
North America (12)	1503.73	−1.2	1522.66	1695.99	0.89	55.86	1839.77	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 16	Day's chge%	Oct 15	Oct 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5287.9	+0.5	5263.7	5298.9	4042.1	3.08	2.53	2.06	19.73	128.25	2275.00
FTSE 250	4963.8	+0.6	4935.8	4943.8	4444.1	3.38	2.76	1.78	20.79	125.33	2091.00
FTSE 250 ex IT	4985.8	+0.6	4956.8	4961.4	4477.2	3.50	2.86	1.82	19.65	130.10	2107.22
FTSE 350	2546.4	+0.5	2534.3	2548.8	2009.5	3.14	2.57	2.00	19.92	62.27	2237.85
FTSE 350 ex IT	2549.0	+0.5	2536.7	2551.2	-	3.15	2.59	2.01	19.69	30.29	1148.94
FTSE 350 Higher Yield	2492.8	+0.4	2482.3	2488.2	1902.8	4.13	3.42	1.81	16.75	77.50	1863.02
FTSE 350 Lower Yield	2608.1	+0.5	2594.4	2616.6	2123.4	2.31	1.86	2.29	23.66	47.40	1870.18
FTSE SmallCap	2405.27	+0.5	2393.70	2391.10	2192.06	3.07	2.47	1.61	25.30	54.54	2058.02
FTSE SmallCap ex IT	2392.80	+0.5	2380.24	2373.76	2189.44	3.30	2.66	1.66	22.57	58.75	2066.32
FTSE All-Share	2487.28	+0.5	2475.38	2488.47	1982.94	3.13	2.57	1.97	20.20	60.52	2218.44
FTSE All-Share ex IT	2490.96	+0.5	2478.96	2491.98	-	3.17	2.59	1.99	19.83	29.73	1142.89

■ FTSE Actuaries Industry Sectors

	Oct 16	Day's chge%	Oct 15	Oct 14	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	5120.45	+0.7	5084.96	5123.79	3938.68	3.03	2.40	1.85	22.27	128.19	2311.58
12 Extractive Industries(5)	4040.22	+0.7	4011.46	4013.83	4228.49	3.50	2.47	1.88	18.99	139.64	1245.29
15 Oil, Integrated(3)	5517.36	+0.6	5482.02	5532.27	4076.10	3.12	2.52	1.82	21.96	137.84	2561.61
16 Oil Exploration & Prod(12)	3963.77	+1.2	3917.60	3933.00	2932.68	1.44	1.19	2.32	37.38	52.61	2437.97
20 GEN INDUSTRIALS(258)	2198.26	+0.4	2189.93	2199.98	2091.80	3.57	2.99	1.95	17.99	59.71	1267.78
21 Building & Construction(35)	1446.32	+0.5	1439.07	1443.45	1216.66	3.15	2.54	2.27	17.49	38.83	1270.62
22 Building Matls & Merchs(30)	1932.94	+0.7	1920.41	1941.12	2011.33	4.10	3.34	1.89	16.12	57.24	1030.23
23 Chemicals(26)	2690.42	+0.1	2687.73	2693.62	2464.08	3.78	3.14	1.64	20.23	79.41	1349.51
24 Diversified Industrials(13)	1509.16	−0.2	1511.72	1528.66	1524.13	4.55	4.24	2.60	10.55	61.46	909.82
25 Electronic & Elect Equip(35)	2342.97	+1.7	2303.19	2296.09	2363.92	3.76	3.04	1.56	21.30	52.38	1276.04
26 Engineering(65)	3045.50	−0.1	3048.29	3068.49	2657.43	2.78	2.31	2.45	18.38	60.97	1928.62
27 Engineering, Vehicles(13)	3772.15	+1.3	3722.39	3715.68	3283.27	2.46	2.06	‡	‡	76.92	2044.63
28 Paper, Pckg & Printing(27)	2343.32	+0.5	2331.51	2330.90	2625.42	4.42	3.63	1.97	14.34	77.12	1033.33
29 Textiles & Apparel(14)	1111.14	+0.8	1101.81	1091.56	1197.30	6.05	5.02	1.17	17.59	48.24	736.79
30 CONSUMER GOODS(85)	4916.55	+0.1	4912.54	4930.65	3799.85	3.02	2.62	1.89	21.93	124.78	1913.82
32 Alcoholic Beverages(7)	3581.70	+0.5	3564.49	3480.58	2828.04	3.48	2.99	2.02	17.78	101.52	1371.96
33 Food Producers(25)	3242.22	+0.3	3232.45	3251.06	2626.80	3.31	2.71	1.89	20.00	76.83	1541.68
34 Household Goods(17)	3240.39	−0.2	3247.40	3278.58	2729.27	3.10	2.70	2.46	16.40	60.11	1334.88
36 Health Care(14)	2310.94	+1.2	2282.96	2284.97	2047.99	2.61	2.17	1.76	27.30	52.46	1461.93
37 Pharmaceuticals(19)	7904.95	—	7906.20	7989.00	5897.58	2.22	1.97	1.81	31.07	162.93	2796.80
38 Tobacco(3)	4909.48	−0.5	4934.77	4967.34	3701.57	5.74	5.07	1.85	11.81	240.05	1335.31
40 SERVICES(274)	2919.82	+0.1	2916.05	2931.26	2642.39	2.79	2.25	2.04	21.95	62.34	1584.84
41 Distributors(29)	2944.98	+0.4	2932.34	2933.00	2865.41	3.19	2.60	2.01	19.55	69.87	1135.89
42 Leisure & Hotels(30)	3429.10	+0.6	3409.93	3430.16	3247.88	2.73	2.18	1.99	23.10	85.50	1913.38
43 Media(43)	4456.06	+0.9	4417.56	4408.36	4550.93	2.29	1.89	1.93	28.26	89.72	1667.41
44 Retailers, Food(15)	2562.42	−0.5	2574.55	2607.58	2006.19	3.27	2.62	2.26	16.90	60.67	1716.25
45 Retailers, General(54)	2377.26	−0.8	2395.72	2408.75	2165.98	3.03	2.42	2.15	19.16	55.88	1425.65
47 Breweries, Pubs & Rest.(22)	3316.87	+0.1	3312.05	3352.25	3144.63	3.42	2.74	2.29	15.92	63.82	1659.50
48 Support Services(58)	3491.69	+0.3	3479.77	3481.48	2641.01	1.75	1.43	2.46	29.02	38.40	2282.99
49 Transport(23)	3108.21	−0.1	3110.46	3126.40	2593.84	3.24	2.61	1.40	27.54	74.79	1368.90
60 UTILITIES(32)	3368.48	+1.8	3309.36	3298.52	2235.98	4.15	3.32	1.48	20.38	81.87	1571.39
62 Electricity(9)	3735.24	+0.2	3728.07	3691.89	2301.25	4.75	3.80	2.01	13.06	116.63	2125.57
64 Gas Distribution(2)	2432.53	+0.4	2422.43	2380.37	1285.22	4.18	3.35	‡	‡	81.42	1393.26
66 Telecommunications(9)	2638.16	+3.6	2547.64	2563.38	1908.68	3.45	2.76	1.60	24.05	44.69	1269.38
68 Water(12)	3150.61	+0.3	3141.81	3112.29	2124.50	5.27	4.22	2.25	10.55	90.96	1895.61
69 NON-FINANCIALS(669)	2504.34	+0.5	2492.71	2501.90	2077.36	3.22	2.65	1.88	20.92	60.59	2005.73
70 FINANCIALS(105)	4914.58	+0.5	4888.32	4936.96	3316.70	3.02	2.43	2.42	17.16	127.13	2237.03
71 Banks, Retail(11)	7429.88	+0.9	7366.68	7453.67	4773.19	2.82	2.26	2.54	17.49	186.05	2563.18
73 Insurance(17)	2154.88	−0.4	2164.33	2194.57	1565.68	4.09	3.37	2.86	10.71	78.33	1742.79
74 Life Assurance(6)	5527.43	−0.3	5543.28	5559.06	3846.08	3.31	2.72	2.27	16.68	154.25	2429.83
77 Other Financial(27)	3568.18	+0.3	3556.08	3583.80	2692.37	3.02	2.46	1.99	20.76	81.98	2138.31
79 Property(42)	2248.37	+0.5	2237.78	2252.86	1653.46	2.94	2.35	1.33	31.91	41.12	1451.01
80 INVESTMENT TRUSTS(127)	3621.70	+0.4	3608.72	3631.83	3216.15	2.11	1.69	1.16	51.12	53.99	1303.56
89 FTSE All-Share(901)	2487.28	+0.5	2475.38	2488.47	1982.94	3.13	2.57	1.97	20.20	60.52	2218.44
105 FTSE All-Share ex IT(774)	2490.96	+0.5	2478.96	2491.98	-	3.17	2.59	1.99	19.83	29.73	1142.89
FTSE Fledgling	1315.38	+0.4	1310.21	1309.16	1237.71	3.13	2.51	1.02	39.08	32.03	1434.77
FTSE Fledgling ex IT	1321.74	+0.5	1315.72	1313.02	1247.98	3.47	2.78	1.03	35.12	33.83	1445.35
FTSE AIM	1010.6	+0.1	1009.4	1010.2	-	1.08	0.85	0.46	80.00†	6.50	928.77

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5288.9	5272.6	5282.3	5273.1	5274.4	5273.5	5283.1	5283.5	5287.8	5292.7	5270.5
FTSE 250	4938.5	4939.3	4948.1	4954.1	4954.6	4954.3	4956.2	4957.8	4961.8	4963.8	4938.3
FTSE 350	2544.3	2538.2	2542.8	2539.7	2540.3	2539.9	2543.8	2544.1	2546.2	2546.4	2537.2
FTSE SmallCap	2396.95	2397.82	2398.77	2399.91	2401.06	2402.17	2402.95	2403.68	2405.35	2405.36	2396.89
FTSE All-Share	2484.81	2479.24	2483.57	2480.80	2481.38	2481.11	2484.76	2485.09	2487.05	2487.28	2478.37

Time of FTSE 100 Day's high: 8:35 AM Day's low: 8:51 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 4:30 PM Day's low: 9:51 AM. FTSE All-Share 1997 High: 2492.41 (03/10/97) Low: 1985.79 (02/01/97)

Further information is available on http://www.ftse.com

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† Sector P/E ratios greater than 80 are not shown.
‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 Index constituent. All trades are included. Source: Estel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 16 / Sch)

BELGIUM/LUXEMBOURG (Oct 16 / Frs.)

CZECH REP (Oct 16 / Koruna)

DENMARK (Oct 16 / Kr)

FINLAND (Oct 16 / Mka)

FRANCE (Oct 16 / Frs.)

GERMANY (Oct 16 / Dm.)

GREECE (Oct 16 / Drachmae)

ITALY (Oct 16 / Lira)

NETHERLANDS (Oct 16 / Fls.)

NORWAY (Oct 16 / Kroner)

POLAND (Oct 16 / Zloty)

PORTUGAL (Oct 16 / Escudo)

SPAIN (Oct 16 / Pts.)

SWEDEN (Oct 16 / Kronor)

SWITZERLAND (Oct 16 / Frs.)

TURKEY (Oct 16 / TK Lira)

PACIFIC

JAPAN (Oct 16 / Yen)

HONG KONG (Oct 16 / H.K.$)

INDONESIA (Oct 16 / Rupiah)

MALAYSIA (Oct 16 / MYR)

NEW ZEALAND (Oct 16 / NZ $)

SINGAPORE (Oct 16 / S$)

AUSTRALIA (Oct 16 / Aus$)

SOUTH KOREA (Oct 16 / Won)

TAIWAN (Oct 16 / TW $)

THAILAND (Oct 16 / Baht)

AFRICA

SOUTH AFRICA (Oct 16 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 16 / Can $)
4 pm close

MONTREAL (Oct 16 / Can $)
4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 15 1997								TUESDAY OCTOBER 14 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	227.12	-0.8	207.42	174.30	206.77	206.19	-0.3	3.71	229.03	209.84	176.30	209.13	206.74	243.87	209.89	214.05
Austria (24)	212.71	0.8	194.26	163.24	193.64	193.59	0.5	1.70	211.12	193.44	162.51	192.78	192.73	213.59	175.14	180.59
Belgium (27)	250.78	-1.2	229.03	192.46	228.31	223.45	-1.5	3.09	253.84	232.57	195.39	231.79	226.86	261.11	215.84	215.84
Brazil (30)	304.17	-0.5	277.79	233.43	276.91	615.37	-0.4	1.19	305.55	279.95	235.20	279.00	617.65	322.44	178.94	187.87
Canada (123)	227.77	-1.1	208.02	174.80	207.36	228.79	-0.8	1.65	230.43	211.13	177.37	210.41	230.56	233.66	175.83	176.32
Denmark (32)	425.79	-0.9	388.86	326.76	387.63	386.36	-1.2	1.32	429.78	393.78	330.82	392.44	391.00	429.78	327.98	333.81
Finland (28)	344.39	0.1	314.52	264.29	313.53	379.46	-0.3	1.64	344.17	315.34	264.92	314.27	380.61	349.43	216.01	216.76
France (83)	241.00	-0.1	220.10	184.95	219.40	221.93	-0.4	2.38	241.18	220.98	185.65	220.23	222.91	246.23	199.26	199.64
Germany (59)	236.43	0.2	215.93	181.44	215.24	215.24	-0.1	1.33	236.01	216.24	181.67	215.51	215.51	243.87	179.12	180.37
Hong Kong, China (66)	461.06	-3.7	421.07	353.82	419.74	458.05	-3.7	3.45	478.89	438.59	368.47	437.10	475.49	580.03	439.95	470.59
Indonesia (27)	125.25	-3.5	114.38	96.11	114.02	274.58	-1.4	2.47	129.81	118.93	99.92	118.53	278.72	254.90	117.56	202.45
Ireland (17)	393.64	-0.3	359.50	302.09	358.36	376.45	-0.8	2.57	394.88	361.80	303.96	360.57	379.52	394.88	304.37	305.55
Italy (53)	115.05	-0.1	105.07	88.29	104.74	147.18	-0.4	1.61	115.11	105.47	88.61	105.11	147.71	115.27	75.44	77.47
Japan (484)	115.92	0.9	105.87	88.96	105.53	88.96	0.6	0.90	114.90	105.28	88.45	104.92	88.45	145.08	107.57	144.39
Malaysia (107)	299.61	-4.2	273.63	229.93	272.76	363.12	-2.9	1.97	312.81	286.60	240.78	285.63	373.76	660.85	277.73	576.78
Mexico (27)	1891.84	0.4	1727.76	1451.83	1722.28	16012.82	0.5	1.52	1884.08	1726.25	1450.27	1720.40	15937.83	1996.64	1136.59	1205.52
Netherlands (19)	427.01	-0.8	389.97	327.69	388.73	384.44	-1.1	2.17	430.55	394.49	331.42	393.15	388.75	440.67	307.19	310.30
New Zealand (14)	95.40	-0.5	87.12	73.21	86.85	78.68	-0.2	3.90	95.87	87.84	73.80	87.54	78.84	96.47	83.03	90.18
Norway (41)	366.12	-0.4	334.36	280.96	333.30	351.11	-0.6	1.75	367.57	336.78	282.94	335.64	353.12	371.33	261.98	265.73
Philippines (22)	97.07	-0.5	88.65	74.49	88.37	163.51	-1.3	1.30	97.60	89.42	75.13	89.12	165.59	214.07	87.66	181.70
Singapore (42)	285.01	-2.0	260.29	218.72	259.46	203.51	-1.8	1.66	290.95	266.58	223.96	265.68	207.13	448.01	278.20	374.87
South Africa (43)	339.23	-0.5	309.81	260.33	308.83	346.30	-0.5	2.48	340.89	312.34	262.40	311.28	348.18	370.12	301.49	353.23
Spain (33)	260.03	-0.8	237.47	199.55	236.72	290.97	-1.1	2.30	262.21	240.25	201.84	239.43	294.36	277.33	183.65	184.75
Sweden (49)	521.98	-0.7	476.70	400.57	475.19	585.85	-0.8	1.77	525.81	481.77	404.75	480.13	590.27	538.94	390.24	394.63
Switzerland (33)	320.27	-0.1	292.49	245.78	291.56	289.95	-0.4	1.15	320.73	293.86	246.88	292.87	291.00	329.59	231.69	246.66
Thailand (39)	40.57	1.9	37.05	31.13	36.93	57.55	2.0	4.87	39.81	36.48	30.65	36.35	56.40	129.94	37.40	112.17
United Kingdom (213)	335.89	-0.3	306.75	257.76	305.78	306.75	-0.6	3.23	336.94	308.71	259.36	307.67	308.71	337.98	256.17	257.96
USA (634)	393.49	-0.4	359.36	301.97	358.22	393.49	-0.4	1.58	395.06	361.97	304.10	360.74	395.06	399.62	283.35	288.19
Americas (814)	360.09	-0.4	328.80	276.29	327.76	303.28	-0.4	1.57	361.57	331.28	278.32	330.18	304.52	385.75	259.48	261.81
Europe (711)	292.41	-0.3	267.05	224.40	266.20	274.19	-0.6	2.32	293.26	268.70	225.74	267.79	275.81	296.25	222.19	223.18
Nordic (150)	455.80	-0.6	416.27	349.79	414.95	447.40	-0.7	1.68	458.55	420.14	352.97	418.71	450.67	464.93	333.26	336.09
Pacific Basin (877)	130.63	0.0	119.30	100.25	118.92	101.22	-0.1	1.45	130.58	119.64	100.51	119.23	101.32	160.96	127.18	159.85
Euro-Pacific (1588)	198.14	-0.2	180.96	152.06	180.38	166.05	-0.4	1.99	198.46	181.84	152.77	181.22	166.71	209.12	173.55	196.11
North America (757)	383.22	-0.4	349.99	294.09	348.87	382.52	-0.4	1.58	384.90	352.66	296.28	351.46	384.12	389.57	277.20	279.54
Europe Ex. UK (498)	262.51	-0.3	239.74	201.45	238.98	250.07	-0.6	1.80	263.24	241.18	202.63	240.37	251.47	267.07	198.51	199.67
Pacific Ex. Japan (393)	259.02	-2.6	236.56	198.78	235.81	240.67	-2.2	3.22	265.88	243.61	204.66	242.79	246.05	320.65	259.02	297.51
World Ex. US (1811)	203.15	-0.2	185.53	155.90	184.94	173.74	-0.4	1.96	203.58	186.53	156.71	185.90	174.45	212.89	176.94	188.00
World Ex. UK (2232)	257.38	-0.3	235.05	197.51	234.31	230.06	-0.4	1.60	258.16	236.54	198.72	235.73	230.85	262.69	211.16	214.90
World Ex. Japan (1961)	338.84	-0.5	309.45	260.03	308.47	330.19	-0.6	1.91	340.51	311.98	262.11	310.93	332.04	344.35	257.42	258.30
The World Index (2445)	264.07	-0.3	241.16	202.65	240.40	237.03	-0.4	1.77	264.87	242.69	203.89	241.86	237.99	268.47	216.15	218.61

 Constituent change with effect 22/10/97: Addition: Nycomed Amersham Ord & Non-Voting (Medium-Small Cap) (UK). Deletions: Nycomed A, Nycomed B (Norway).

Emerging markets: IFC Investable indices

Dollar terms

Oct 15

4 pm close October 16

NEW YORK STOCK EXCHANGE PRICES

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- C -

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Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Oct 16	Oct 14	Oct 13	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8057.98	8088.29	8072.22	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.89	104.19	104.23	104.70 (31/7)	101.09 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3359.27	3317.89	3288.72	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	242.64	242.10	241.25	245.32 (7/10)	208.47 (25/4)	258.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8127.48 (8188.24) Low 7987.57 (7990.20) (Theoretical‡)
Day's high 8093.10 (8112.26) Low 8035.39 (8018.93) (Actual‡)

Standard and Poors	Oct 16	Oct 14	Oct 13	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	965.72	970.28	968.10	983.12 (7/10)	737.01 (2/1)	983.72 (7/10/97)	4.40 (1/6/32)
Industrials¶	1127.28	1131.98	1131.83	1148.82 (7/10)	865.42 (11/4)	1148.82 (7/10/97)	3.52 (30/6/32)
Financial¶	115.22	116.22	115.31	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	508.88	508.57	507.48	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.84 (25/4/42)
Amex Comp	714.34	714.79	716.57	721.98 (7/10)	541.29 (28/4)	721.98 (7/10/97)	524.20 (16/7/98)
NASDAQ Comp	1723.37	1732.79	1742.12	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	462.74	463.97	465.21	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/83)

RATIOS

	Oct 10	Oct 3	Sep 26	Year ago
Dow Jones Ind. Div. Yield	1.68	1.66	1.68	2.16
	Oct 15	Oct 8	Oct 1	Year ago
S & P Ind. Div. yield	1.47	1.48	1.48	1.92
S & P Ind. P/E ratio	25.95	26.18	25.72	23.13

US DATA

MARKET ACTIVITY

● Volume (million)	Oct 15	Oct 14	Oct 13
NYSE	604.875	510.337	351.198
Amex	28.282	26.008	24.832
NASDAQ	834.115	765.479	684.858

NYSE	Oct 15	Oct 14	Oct 13
Issues Traded	3,404	3,401	3,365
Rises	1,191	1,437	1,514
Falls	1,649	1,402	1,331
Unchanged	564	562	520
New Highs	163	211	225
New Lows	30	15	13

NYSE TRADING ACTIVITY — Volume : 506,850,000

Active stocks Wednesday	Stocks traded	Close price	Day's change
Compaq	11,586,000	76¾	+1⅞
Bay Netwk	5,274,100	37⅛	-2⅛
Time Warner	4,276,700	57¼	+2¼
AT & T	3,709,200	44⅝	-1⅛
Unisys	3,698,200	15⅛	-⅛
Pfizer	3,670,800	67¾	
Cypress Semi	3,631,600	12⅝	-1¼
Ford Motor	3,534,000	49¼	-⅛
Du Pont	3,282,700	58⅞	+⅛
Chrysler	3,170,400	37⅛	+¼

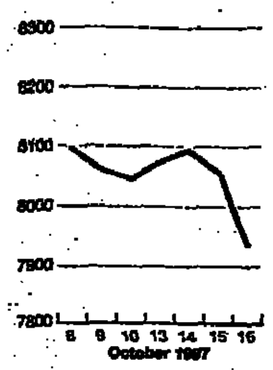
Biggest movers Wednesday	Close price	Day's change	Day's chge %
Ups			
Capital TR	13¼	+2⅛	+22.9
Best Buy	27¼	+2⅛	+8.6
Ikon Office	29¼	+2¼	+8.3
Duff & Phlp	35⅛	+2⅛	+7.4
Downs			
The Sabre Gp	29	-5⅛	-15.4
MEMC Elec	22¼	-2¾	-11
Bns & Noble	28½	-2½	-8
Cummins Eng	73⅛	-7⅛	-8

NASDAQ TRADING ACTIVITY — Volume :834,115,000

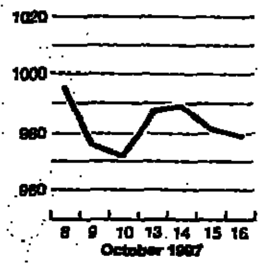
Active stocks Wednesday	Stocks traded	Close price	Day's change
Intel	65,798,300	86⅛	-5¼
MCI Commo	24,056,800	38¾	+1⅛
Worldcom	23,951,500	35⅛	-1⅛
Brush Creek	14,874,300	1⅛	+⅛
Dell Compt	11,238,200	102¾	+3¾
Tele Comm	10,531,800	23⅛	+⅛
Cisco Systems	8,361,300	83	+2⅛
Safeco Fds	8,293,200	48⅛	+⅛
Oracle	8,779,600	35	-1
CH Robinson	7,402,800	22½	+4½

Biggest movers Wednesday	Close price	Day's change	Day's chge %
Ups			
Oilgear	27	+7½	+38.4
Lifecore	25¼	+5¼	+26.2
Chromatics	17½	+3½	+21.7
Aspect Dev	47½	+5¾	+14.1
Downs			
Coherent	44⅛	-12⅞	-22.5
Novel Denim	23½	-2½	-10.1
Investors Ttl	21	-2¼	-9.8
TJ Int	25	-2⅛	-4.7

Dow Jones



FTSE Eurotop 300



JAPAN

	Oct 16	Oct 15	Oct 14	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	17707.43	17331.37	17306.39	20681.07	17294.70	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 380,000,000

Active stocks Thursday	Stocks traded	Close price	Day's change
Bk of Tokyo	9,912,000	1800	+40
Sakura Bk	7,285,000	570	+18
Kawasaki Stl	5,887,000	199	+9
Nippn Steel	5,368,000	258	+8
Mitsubshi Hvy	5,327,000	682	-16
Kawasaki Hvy	5,252,000	352	-11
Hitachi	4,942,000	1030	
Sanwa	4,930,000	1410	+40
IBJ	4,323,000	1320	+40
Toyota Motor	4,293,000	3890	+60

Biggest movers Thursday	Close price	Day's change	Day's chge %
Ups			
Tanseisha	399	+95	+31.3
Miyata Ind	178	+35	+24.5
Hoyu Chuzo	210	+40	+23.5
Mandolin Cp	170	+30	+21.4
Downs			
Daiichi El	520	-130	-20
Mitsubishi Con	215	-45	-20
Life Corp	598	-110	-17.3
Hosokawa Mc	645	-125	-15.5

FRANCE

	Oct 16	Oct 15	Oct 14	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2952.87	2982.16	3005.54	3094.01	2258.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 278,583,350

Active stocks Thursday	Stocks traded	Close price	Day's change
Cie Fin Pbs	1,345,527	470.0	+14.3
AXA-UAP	791,998	405.5	+2.6
Gan Grp	743,347	137.0	+0.5
Worms&Cie	717,597	504.0	+7.0
BNP	678,479	311.0	
Rhone-Poulk	552,314	269.0	-1.0
Total B	471,683	659.0	+9.0
Michelin B	403,134	353.0	+3.0
Alcatel Alst	332,702	810.0	
Cap Gemini	330,606	463.0	+34.0

Biggest movers Thursday	Close price	Day's change	Day's chge %
Ups			
Gel 2000	54.2	+5.0	+10.2
Cardif SA	894.0	+81.0	+10.0
High Co	200.0	+17.6	+9.6
Altran Tech	1600.0	+139.0	+9.5
Downs			
Isodis Plain	205.1	-37.9	-15.6
Eaux Min Vchy	3135.0	-515.0	-14.1
Therm Bgnots	650.0	-92.0	-12.4
Hd Casino	515	-55	-9.6

GERMANY

	Oct 16	Oct 15	Oct 14	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4118.22	4193.69	4202.37	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 11,631,871

Active stocks Thursday	Stocks traded	Close price	Day's change
Bayer AG	732,046	65.05	-2.15
Lufthansa	703,397	32.95	-0.20
BASF AG	641,559	60.55	-1.8
Deutsche Tel	506,521	33.65	-0.15
Deutsche Bnk	486,995	122.7	-4.85
Commzbk	459,470	64.2	-1.3
Daimler-Bnz	378,276	134.35	-0.65
Siemens	370,333	121.5	-1.7
Veba	306,947	99.8	-1.15
Dresdner Bnk	280,523	81.0	-1.7

Biggest movers Thursday	Close price	Day's change	Day's chge %
Ups			
Fuchs Petro	218.0	+7.0	+3.3
Herlitz Int	189.5	+4.5	+2.4
Holzmn Ph	564	+13	+2.4
Apcoa Prkng	152.0	+4.0	+2.7
Downs			
Wella	1292.0	-98.0	-7.0
Prosieben	83.0	-6.2	-7.0
Hornbch Bm	54.0	-4.0	-6.9
BW & Berg	72.0	-4.0	-5.3

UK

	Oct 16	Oct 15	Oct 14	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5287.9	5263.7	5289.9	5330.80	4056.60	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 817,900,000

Active stocks Thursday	Stocks traded	Close price	Day's change
BT	45,880,420	471½	+24½
Rolls-Royce	31,983,380	232	-3
BAT Inds	19,240,000	566½	-4½
Br Steel	18,841,290	185¼	-1¼
T&N	12,387,370	258	+2¼
Madera	11,440,330	345½	+20½
Centrica	11,036,920	90½	+½
BTR	10,880,870	234½	-2
Tomkins	9,860,074	340	+3
Sears	9,741,500	93	+2

Biggest movers Thursday	Close price	Day's change	Day's chge %
Ups			
Coffee Rep	28	+6	+27.3
Widney	45½	+9½	+26.4
Densitch	124	+16½	+15.3
ThorpeFW	170	+20	+13.3
Downs			
Chem Design	90	-20	-18.2
Celtic Res	20½	-4½	-18.0
Titan Hld	92½	-14	-13.1
Clinical Cmp	36½	-4	-9.9

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	973.00	976.70	+3.20	980.00	971.75	52,294	187,915
Mar	987.00	988.40	+4.30	989.80	987.00	568	4,017
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	17290.0	17760.0	+540.0	17800.0	17160.0	29,577	167,126

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	2982.0	3009.0	+18.0	3013.0	2971.0	14,340	30,031
Nov	2990.0	3017.0	+18.0	3016.0	2982.0	226	11,758
DAX							
Dec	4189.5	4167.0	-24.0	4194.5	4128.0	21,885	61,298
Mar	4213.5	4205.0	-23.5	4214.0	4181.0	26	3,077

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Oct	2560.00	2565.00	-4.00	2580.00	2538.00	8,804	23,085
Nov	2571.50	2570.75	-7.00	2589.00	2553.75	1,924	2,621
SOFFEX							
Oct	5809.0	5807.0	–	5834.8	5785.0	9,116	19,220
Nov	5818.0	5816.8	-3.2	5835.0	5792.2	5,848	12,002

WORLD MARKETS AT A GLANCE

Country	Index	Oct 16	Oct 15	Oct 14	1997 High	1997 Low	Yield	P/E
Argentina	General	25425.47	25218.45	24694.92	25277.58 7/10	18223.37 2/1	2.99	20.7
Australia	All Ordinaries	2653.0	2653.7	2662.0	2779.29 25/9	2362.20 1/4	3.42	19
	All Mining	754.9	765.5	764.5	987.16 24/2	765.10 16/9		
Hungary	Bux	7984.36	7888.72	7734.33	9463.29 6/8	4291.30 6/1	na	na
India	BSE Sens.	4077.05	4034.55	4012.40	4548.02 5/8	3225.34 2/1		
	Natl 500	742.24	734.93	731.69	843.28 5/8	622.71 2/1	na	na
Poland	WIG	18112.1	18052.2	17877.2	18339.40 18/2	14421.60 6/1	1.33	12.5
Portugal	BVL 30	3618.57	3580.93	3583.09	3886.61 3/10	2165.57 2/1	1.66	25.9
	PSI 20	8438.63	8347.56	8351.49	8803.52 3/10	5152.34 2/1		

Afternoon recovery from lows, in line with bounce in Tokyo, unable to stem market's sixth consecutive fall.
Foreign buying helped shares extend Wednesday's gains. Market heavyweight MOL was the main focus of activity.
Trading reforms said to be likely to increase market liquidity. Aggressive local buying seen.
Late selling undermined mixed day although brokers remained positive on hopes of new government soon.
Shares higher after positive US inflation data. Mobile phone operator Telecel up sharply ahead of third-quarter figures.

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NASDAQ NATIONAL MARKET

4 pm close October 16

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AMEX PRICES

4 pm close October 16

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3	+0.125	300	8.25	2.875
Artwork Systems	US$10.125	-0.125	16825	11.125	7.875
Cresumes	FFr12.5		900	18	10
Debonair Holdings	GBP5.6		2000	7.15	4.5
Dr Solomon's ADS	US$32	+1.25	8750	32.375	16.875
EDAP TMS	US$8.1875	-0.125	0	9.125	6.5
Espace Prod. Int.	FFr112.2	+0.2	27000	117	111.5
Esprit Telecom ADS	US$5.75		10000	12.25	5.375
Innogenetics	US$15.125	-0.25	107825	15.75	9.875
Lernout & Hauspie	US$52	-1.375	10645	58.625	25
Meletis	US$8.0625	-0.0625	148100	9.125	7.9375
Mercer Int'l	US$12.375	-0.5	750	12.875	8.125
NTL	US$26.625	-0.125	0	27.5	20.5
PixTech	US$3.75		300	6.125	3.375
Schoeller-Bleckmann	Sch1873	+20	2530	1692	900
Topcall Int'l	Sch4798	+110	4613	5000	3066
Turbodyne Technol.	US$5.13		0	6.25	3.73

Prices for 16/10/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 0990).

Korea takes its turn in the firing line

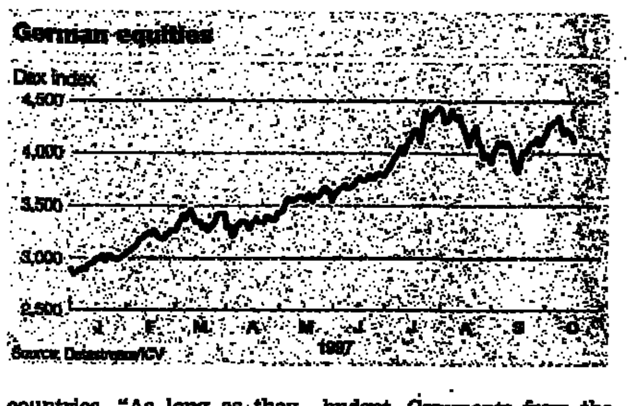
WORLD OVERVIEW

The Asian stock markets seem to be taking it in turns to get in the firing line of investor pessimism, *writes Philip Coggan*. After the turmoil in the four Asean countries – Indonesia, Malaysia, the Philippines and Thailand – that dominated the summer, investors have turned against Hong Kong over the last week.

Yesterday, however, attention turned to Korea, where worries about the threat of corporate bankruptcies have snowballed, sending the composite index down 4.2 per cent to its lowest level for five years.

Korea has suffered a classic liquidity squeeze as banks, nervous about their exposure to a weakened corporate sector, have cut back on loans. Two more industrial groups filed for bankruptcy protection on Wednesday.

The government's attempts to restore confidence, including the lifting of the ceiling on foreign investments to 26 per cent, have not yet been effective. But Geoffrey Dennis, global emerging markets strategist at HSBC James Capel, is optimistic, arguing that Korea has not suffered from the same currency problems as the south-east Asian countries. "As long as they hold the line on the currency, Korea looks cheap on a valuation basis."



Asian markets will face another test of confidence today as Malaysia unveils its budget. Comments from the Malaysian prime minister about the need to restrict currency trading have been badly received by the markets in recent weeks.

European markets were nervous in the morning ahead of the US consumer price index for September. The last two bits of US economic data – producer prices and retail sales – had revived interest rate fears.

In the event, the consumer prices numbers showed a 0.2 per cent monthly increase, slightly down on the 0.3 per cent consensus forecast, bringing instant relief to the Treasury bond and equity futures markets.

The Dow Jones Industrial Average opened strongly but drifted back as the European afternoon wore on. Nevertheless, most continental bourses closed off their worst levels.

Edmond Warner, head of global research at NatWest Markets, is enthusiastic about the prospects for European corporate earnings given the restructuring process, highlighted by this week's wave of mergers. He thinks Germany is probably the most attractive market at the moment.

The DAX yesterday fell 1.8 per cent in official trading but had recovered to be only down 0.45 per cent in post-bourse dealings. The weak dollar weighed on German share prices, which are still 6.5 per cent below their end-July peak.

London market, Page 32

Early rally in Dow runs out of steam

AMERICAS

A morning rally on Wall Street proved short-lived as a bearish tone swept through technology shares and blue chips in early afternoon trading, *writes John Labate in New York*.

By 1pm, major stock indices were lower as a shakeout for Sears and Merck sent the Dow Jones Industrial Average 20.63 lower to 8,037.35.

Sears fell more than 7 per cent to 50\frac{1}{16}$ after a warning about fourth-quarter results. Merck, the drugs leader, fell $4⅝ at $97⅝ as the company warned of competitive pressures in the cholesterol-lowering market.

Other Dow stocks were mixed. Allied Signal rose 1\frac{7}{16}$ at $43 after announcing the completion of a chemical company acquisition. Coca-Cola rose $⅝ at 60\frac{9}{16}$ as the beverage leader reported a 10 per cent rise in third-quarter operating earnings. The Standard & Poor's 500 index moved up by less than one point at 966.53.

"Some people are a little jittery," said Bill Meehan, chief market analyst at Cantor Fitzgerald. "Volume has been light, leading me to expect there is not extensive selling pressure out there."

Among the more visible casualties was Compaq Computer, which lost $2⅝ at $74½ in spite of a forecast of strong fourth-quarter results from the company.

A morning release of a 0.2 per cent rise in the consumer price index for September sent bond prices sharply higher. The benchmark long bond rose ⅝, sending the yield down to 6.344 per cent. Low inflation news pushed up banking stocks and the Dow by more than 50 points at one stage before the index tumbled into negative territory.

Lin Television soared nearly 9 per cent to 50\frac{9}{16}$ on the announcement of a counter-bid for the company.

The Nasdaq composite index, which is weighted in technology shares, was down 5.79 at 1,717.58. Apple Computer tumbled more than 9 per cent to $21⅝ on disappointing earnings. But an upgrade by Morgan Stanley sent shares of chip maker Altera $1⅞ higher at $51⅞.

TORONTO ignored a dull Wall Street to push higher in the wake of a solid start for the banking sector. At noon, the 300 composite index was up 29.00 at 7,157.90.

Weaker-than-expected US inflation data helped bonds to push higher and the improving interest rate background sparked good gains for banks.

Royal Bank of Canada added 45 cents at C$70.85 and Toronto-Dominion improved 40 cents to C$48.80.

Among techs, Newbridge Networks gained 90 cents to C$89.30 and Northern Telecom put on C$21.5 to C$152.30. But the real action of the morning was to be found among the smaller tech caps.

Andyne Computing jumped 85 cents to C$10.35 on plans to merge with Hummingbird Communications which came off C$2.75 to C$58.25. Elsewhere, Cott Group rose C$1.70 to C$18.25 on talk of a 29 per cent stake in the beverage group changing hands.

Results hopes lift Mexico

Most Latin American centres moved steadily higher in relatively active morning trade, notably Mexico where enthusiasm for the upcoming results season underpinned sentiment.

MEXICO CITY rose as money market rates eased following the solid start for the US bond market. There was also upbeat talk among brokers ahead of the third-quarter results season.

Telmex was in the thick of the results speculation, adding 47 centavos to 20.25 pesos on the theory that increases in local telephone rates will be reflected in strong third-quarter figures. At midsession, the IPC index was up 32.82 at 5,378.0.

SANTIAGO moved ahead by 0.74 to 123.07 on the IPSA index at midsession. Power stocks rallied strongly with Enersis jumping 2.50 pesos to 281.0 pesos on the news that it is to restructure the deal linking the group with Endesa of Spain.

Telex surged 20 pesos to 1,070 pesos on talk of a buyer in the market for a big stake in the group.

Takeover talk enlivens Paris

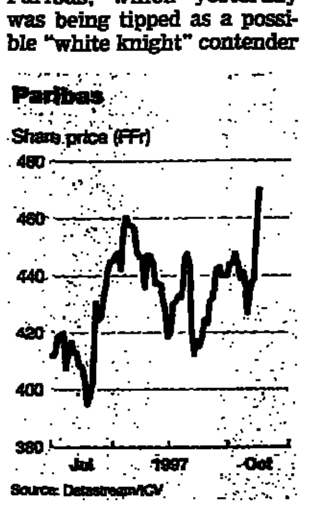
EUROPE

Bank takeover talk enlivened a dull day in **PARIS** where Paribas pushed ahead strongly on the theory that it was set to link with BNP or sell its controlling stake in CCF.

Paribas jumped FFr14.30 to FFr470 in good volume of 1.3m shares for a two-day advance of 7 per cent. BNP touched a session high of FFr314 before closing all square at FFr311. CCF added FFr3 at FFr374.30. Bancaire ran up against profit-taking, slipping FFr1 to FFr796.

French financials have been fizzing with speculation about further corporate activity in recent weeks since the the competing bids for Worms from Artemis and the Ifil-AGF consortium sparked an offer for AGF from Generali of Italy.

Banks have been among the more notable performers. Paribas, which yesterday was being tipped as a possible "white knight" contender for AGF, has risen 13 per cent since the start of September. The talk was that Paribas would move in conjunction with Société Générale, which has a 6 per cent stake in AGF. SocGen added FFr4 at FFr913.



SGS Thompson fell FFr48 or 9.4 per cent to FFr463 after broker earnings downgrades in the wake of the recent results. Goldman Sachs took the shares off its recommended list.

Cap Gemini shot up FFr34 to 7.8 per cent to FFr469 after a group of major banks adopted one of its payments systems. The CAC 40 index closed up 0.71 at 2,992.87.

FRANKFURT picked up from the day's lows in late electronic trade although dollar weakness cast a shadow over the market. The Ibis-indicated Dax index finished 18.70 weaker at 4,149.92, up from a low of 4,114.06. The weak dollar made for active trade in BASF, down 44 pfg at DM60.86 and and Bayer, which lost DM1.80 to DM65.50.

Deutsche Babcock, the engineering group, retraced Wednesday's surge with a DM8.75 pull-back to DM115.25. Construction group Philipp Holzmann said that talks between the two companies on more intensive co-operation in energy and environmental technology had still reached no conclusion.

AMSTERDAM drifted 11.62 lower to 912.01 on the AEX index. Financials were dull with ABN Amro dipping 90 cents to Fl 39.80 and PolyGram, the entertainments offshoot of Philips, falling Fl 4.30 or 3.5 per cent to Fl 119.70 ahead of next week's results statement.

KLM slipped 20 cents to Fl 70.60 with worries about lost revenue as a result of flight restrictions at Amsterdam's Schiphol airport overriding the strong earnings for the airline industry emerging from the US.

ZURICH posted marginal losses as the easier dollar made for hesitant trade. The SMI index eased 9.1 to 5,806.8. Financials were again in the limelight after insurer Zurich gave details on its planned merger with BAT's financial arm. Zurich stock fell SFr14 to SFr612.

Surveillance, the world's leading testing and inspection company, jumped SFr80 to SFr2,905 on news that the group planned to buy back and cancel up to 15 per cent of its share capital over the next two years.

Activity in cyclicals was dominated by Oerlikon-Bührle, which saw a large institutional buy order, reputedly from BZ Bank. The shares rose SFr4 to SFr195.

MILAN had an uninspiring day with the Mibtel index closing down 7 at 15,981. Financials were the notable movers with Generali falling L172 to L39,893 on news that AGF of France had rejected its bid. Banca Popolare di Milano picked up L593 at L10,186 after it set a bullish return on equity target.

Trading was enlivened by the debut of Erg, whose shares were *suspended* at the opening because the L8,000 indicative price far exceeded the 10 per cent exchange limit on gains or declines. The petrol refiner had been heavily oversubscribed at the offer price of L6,000. Dealings later started at L7,700 after the exchange widened Erg's trading bands to 30 per cent, settling later at L7,291.

MADRID struggled into positive territory, helped by a strong recovery in Telefonica, which surged 1.8 per cent as analysts welcomed GTE's bid for MCI as positive for the stock. The shares, which had fallen since WorldCom's offer, rose Pta140 to Pta4,340. The general index was up 0.89 to 594.79.

COPENHAGEN fell on negative sentiment and the KFX index lost 0.7 at 192.06. Service group ISS was marked down after it lost a contract at a Swedish nursing home amid allegations of neglect of elderly residents. The shares fell DKr8 to DKr196.

ISTANBUL closed 1 per cent higher at another record, with the ISE index up 35 at 3,258. The market has now risen by 69 per cent since the present rally began on 27 August.

FTSE Actuaries Share Indices — European series

October 16

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	979.71	−0.19	−1.85	2.25	0.00	984.12
FTSE Eurotop 100	2288.52	−0.71	−16.48	–	–	–
FTSE Eurotop 300 Regions						
300 UK	982.90	+0.12	+1.14	3.08	0.00	991.47
300 Ex-UK	978.58	−0.36	−3.57	1.77	0.00	980.64
300 Eurobloc	968.79	−0.44	−4.25	1.97	0.00	972.83
300 Ex-Eurobloc	987.63	−0.01	−0.14	2.44	0.00	993.05
FTSE Eurotop 300 Economic Groups						
Resources	1002.44	−0.11	−1.08	2.69	0.00	1014.73
General Industries	994.98	−0.45	−4.51	1.95	0.00	996.32
Consumer Goods	942.24	−0.03	−0.28	1.88	0.00	945.25
Services	977.90	−0.55	−5.41	2.20	0.00	982.10
Utilities	973.75	+0.59	+5.72	3.13	0.00	979.31
Financials	986.47	−0.23	−2.32	2.25	0.00	992.88

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Peter Hell.

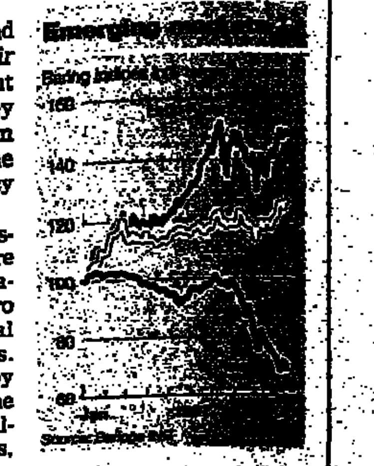
SOUTH AFRICA

Johannesburg equities rose to a five-week high on futures-led buying plus a good day for the bond market, where reviving hopes for an interest rate cut sent yields lower.

The all-share index gained 52.9 to 7,335.3 following a strong performance among industrials. The industrials index closed 77.5 higher at 8,885.0. Golds also gained, rising 18.1 to 1,043.3 on the better bullion price.

EMERGING MARKET FOCUS

Beyond Asia's currency crisis



Exchange rate regimes and currency levels, and their impact on current account deficits, remain the key issues facing investors in emerging markets in the wake of the Asian currency crisis.

At the same time, investors are looking ever more closely at market infrastructure issues and macro issues such as tax, legal and regulatory matters. According to a survey by Kleiman International, the Washington-based consultants on emerging markets, this is particularly so in the newer markets of central Europe, central Asia and Africa.

Shareholder rights and corporate governance are also of increasing concern, as are the safety and efficiency of clearing, registration and custody once the foreign exchange test is passed.

In a review of the Asian markets, Elizabeth Morrissey, managing partner at Kleiman, says that some of the steps taken to deal with the immediate aftermath of the currency crisis may have seemed necessary to Asian leaders.

The measures included the imposition of foreign exchange limits in Indonesia, the effective banning of short selling in Malaysia and a new two-tier exchange rate structure in Thailand. But, says Ms Morrissey, in recent years, Asian market liberalisation has lagged behind other emerging regions as leaders grappled with fears over the impact of huge foreign capital flows.

In the past, international investors largely respected restrictions imposed, and the reasoning behind them. But this time, investors are most likely to remember the ease with which Asian governments shut off access to their markets, compounded by accusations of racism beyond the bounds of normal political rhetoric.

Latin America has seen solid performances during the first nine months of the year.

However, concerns about the impact on corporate and economic performance of the El Niño phenomenon – where unusually high sea temperatures in the south Pacific lead to climate changes around the globe – is expected to result in downturns, especially in Peru, Colombia and Ecuador whose economies are heavily dependent on the agricultural sector.

ING Barings, meanwhile, expects the prospect of volatile US markets, and the influence of the Asian crisis, to continue to cloud the near-term outlook for emerging markets. It sees the timing of a re-entry strategy into Asia as the key question facing asset allocators, but cautions that it is still premature to expect a sustained bounce in the region.

Nonetheless, the investment bank is overweight in Korea and Taiwan while it has upgraded the Latin America region to overweight for the fourth quarter, from neutral in the third. It maintains overweight recommendations for Mexico, Brazil and Venezuela, is neutral on Chile and Peru, and underweight on Argentina and Colombia.

Michael Morgan

Pension funds push Tokyo higher

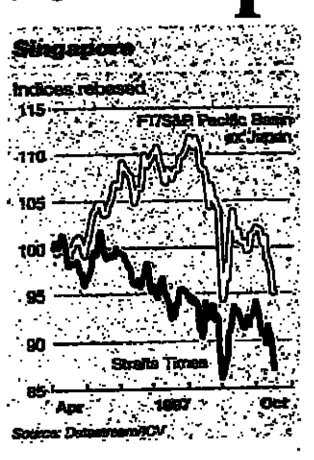
ASIA PACIFIC

Talk of government tax moves sparked a wave of buying by public pension funds and **TOKYO** jumped 2.2 per cent, *writes Gwen Robinson*. The Nikkei 225 average ended 376.12 higher at 17,707.49 after trading between 17,184.32 and 17,763.74.

Share prices rallied in late morning on reports that a senior member of the ruling Liberal Democratic party had called for the reinstatement of tax rebates worth Y2,000bn. The rebates were suspended earlier this year.

Public funds moved in to buy a wide range of sectors, including leading exporters, banks and retailers. There was some hesitation ahead of Monday's expected announcement of a government economic package, but traders said the upswing was a possible signal that the market had bottomed out.

Volume eased to 389m shares from 412m. Advances outstripped declines 861 to 239. The Topix index of all first-section stocks rose 23.82 to 1,369.19 and the capital-weighted Nikkei 300 was up 4.58 at 271.22.



In London, the ISE-Nikkei index fell 0.61 to 1,621.83.

Among a handful of issues to hit record highs, Tokyo Electron gained Y360 to Y8,670, NTT Data Y140,000 to Y6.44m and Takeda Chemical Industries Y140 to Y3,830.

Banks surged almost across the board. Bank of Tokyo-Mitsubishi, the day's most active issue, gained Y40 to Y1,900 and Sakura Bank Y18 to Y570. High-tech issues rallied after recent declines. Advantest rose Y500 to Y13,400 and TDK Y200 to Y11,400.

In Osaka, the OSE average jumped 355.79 to 18,182.29, volume rising to 19m shares.

SINGAPORE sank 2.7 per cent on renewed pessimism over the outlook for the economy. The Straits Times Industrial index lost 50.79 to 1,804.24.

Cycle & Carriage fell 60 cents to S$7.60, with analysts noting that the company, which has extensive exposure to Malaysia, was hit by the possibility of higher luxury car taxes in today's Malaysian budget.

SEOUL fell to new lows as investors continued to fret about the financial health of the corporate sector. The composite index came off 25.49 or 4.2 per cent to 579.25, its lowest closing level since October, 1992.

Investor sentiment was chilled by a recent string of corporate troubles and fears that there may be more to come. Three stocks were suspended on the Seoul exchange on Tuesday on bankruptcy rumours.

One of the three, Taeil Media, resumed trading today and fell Won680 to its limit low of Won7,880. Another company rumoured to be in trouble, Jindo Industries, lost Won500 to Won5,820. Ssangyong Motor fell Won410 to its limit low of Won4,810 after Daimler Benz said there was little chance it would raise its 2.4 per cent stake.

TAIPEI fell through the 8,000 support level as currency concerns and uncertainty ahead of this month's US-China summit continued to undermine sentiment. The composite index shed 264.59 to 7,997.81 on turnover of T$108bn for a two-day decline of 5.2 per cent.

Electronics, unsettled by the recent warning about tough trading from US giant Intel, led the way down with a sector decline of 5.8 per cent. Taiwan Semiconductor lost T$7 to T$145. Acer, which downgraded its earnings targets for this year, tumbled by the daily 7 per cent limit to T$49.8.

HONG KONG closed with solid gains. The Hang Seng index, down 6.2 per cent over the first three days of the week, recouped 183.02 or 1.4 per cent to close at 13,567.26.

Demand also revived for red chips and H shares. The Hang Seng Chinese Enterprises index rose 4.3 per cent while the red chip index rebounded to close 5.6 per cent higher.

RECRUITMENT

Specific assistance to those in need is urged in an OECD report, writes **Robert Taylor**

Moving off the ladder's low rungs

Less-educated and low-skilled employees are facing increasing exclusion in the labour markets of industrialised countries. At the same time there is a growing gap between those able to benefit from new career opportunities created by technological change and globalisation and those who are not. But the public policy debate about what can be done to resolve the problem remains inconclusive.

On the one hand there are the UK and US governments which argue: leave it to market forces to create more jobs but deregulate and encourage more flexibility for employers to hire and fire and urge individuals to improve their employability.

But on the other hand, most mainland European Union countries continue to insist on the need for basic social regulation to protect the unskilled working poor and unemployed through job creation programmes and subsidies.

This week's meeting of labour ministers at the Organisation for Economic Co-operation and Development is not going to resolve the matter. But a detailed paper presented to the ministers by the OECD's social affairs secretariat provides valuable ammunition for those who are concerned as much by low-paid employment and poverty as they are by unemployment.

It argues: "Placing priority on lowering unemployment constitutes only a partial response to the long-standing disadvantages of lower skilled and lower paid workers. To date, however policies have mainly focused on getting low-skilled jobseekers into employment and this issue has been looked at from a short-run perspective."

Little attention has been given to developing effective policies which have an impact on the longer-run "career" prospects of the excluded. What the OECD would like to see is a commitment by governments to achieve higher employment rates coupled with support for equity and social cohesion by improving the employment prospects of unskilled jobseekers with measures that provide them with employment stability and the prospect of upward mobility.

The OECD's research suggests a substantial number of the unskilled in low paid jobs find it impossible to improve their relative position. It found, for example, that as few as 8 per cent of 1986 low-paid workers in Denmark were still low-paid by 1991. However, more than half the low-paid were in the same position in the US over the same period.

As many as seven out of 10 American low-paid workers in 1986 were either still low-paid or not employed in full-time jobs in 1991, compared with a third of Danish workers.

"*Moving up the earnings ladder is more difficult, the more unequal is the earnings distribution,*" the OECD concludes.

"High job mobility does not imply that low-paid employment is generally a fleeting phenomenon. The likelihood of moving up the earnings distribution drops the longer one has been low-paid."

What are the public policy implications of such findings? The OECD is in no doubt that measures to address poverty in industrialised countries need to place a high priority not only on increasing employment but on introducing measures (a minimum wage, better tax and benefit incentives) that are designed to reduce poverty and narrow income inequality more generally.

Above all, it insists on a stronger commitment to life-long learning. But, as the OECD makes clear, the emphasis on training and education has to be focused more directly on specific assistance to those most in need.

A local difficulty

When Japanese companies first began directly establishing business operations in the UK during the 1970s and 1980s, most brought with them management practices based on the traditional strategies they used at home such as total quality management and continuous improvement. The wonders of "just in time" philosophy were imitated by many corporate competitors as they sought to emulate the Japanese challenge.

But a survey of 51 Japanese companies in the UK, carried out by Arthur Andersen, the consulting organisation, suggests it is they who are now having to re-adjust their employment practices. "*In the age of globalisation*" apparently "it is no longer sufficient to strive towards maximum operational efficiency".

The survey found a "general perception that the companies are not responsive to change" with a "lack of clarity in business strategy and a poor understanding of the values held by the company". Much of the blame for this is placed on the ineffectiveness of communication between managers and employees.

In responding to these perceived weaknesses, Japanese companies are introducing a much greater localisation of corporate responsibility, especially in their recruitment and employment policies. The number of Japanese managers has been noticeably reduced as the companies have started hiring and retaining key personnel from within local labour markets.

"These employees are increasingly required to assume *responsibility* for major decisions affecting the direction of the business in the UK," says the survey.

In addition, many Japanese companies are reforming their wages systems in an attempt to attract recruits. Individual performance-related pay is becoming more widespread while employee appraisal systems are being introduced although not at the expense of team-working which most companies continue to believe in.

The survey found many Japanese employers recognise their existing seniority-based wages do "not encourage risk-taking and innovation" while there is too much heavy-handed interference from head offices in Japan on fixing pay and benefits for their UK employees.*

Facilities benefit

Facilities management, which covers a range of business support activities from security and cleaning to building maintenance, is a relatively new form of employment. Incomes Data Services, the independent research body, has just produced the first survey of pay and benefits for facilities managers.

It found in a sample of 26 companies contacted over two months to August 1 this year that the annual median salary of senior managers was £37,243 and £38,816 a year on average. But the survey reveals an extremely wide dispersion of 350 per cent between the highest and lowest salaries.

But to judge by the survey details it remains debatable whether facilities management can really be regarded as a distinctive single form of employment. In some companies facilities managers are part of the upper tier while in others they are purely administrative. Incomes Data discovered a third of the companies they contacted for the survey had no facility managers at all.**

**Arthur Andersen report from Angela Rose, 20 Old Bailey, London EC1M 7AN, £100 plus VAT*

***IDS Management Pay Review 200 October from 77 Bastwick Street, London EC1V 3TT*

BANKING FINANCE & GENERAL APPOINTMENTS

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- Resilient, enthusiastic self-starters with excellent interpersonal skills. Team players. Rigorous organisational ability. European languages advantageous.

Please send full cv, stating salary, ref FS71004, to NBS, 21-26 Garlick Hill, London EC4V 2AU
Fax 0171 489 0698 . Tel 0171 379 1070

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SIX FIGURE PACKAGES / CITY BASED

Rare opportunity to join a leading investment bank at the forefront of valuation and lead the interpretation of analysis with the major institutional investors worldwide. Key sectors include Financial Institutions, FMCG, Retail/Food, Telecoms/Media/IT, Chemicals/Healthcare, Energy.

THE POSITION

- Leading roles within high-profile sector research teams. Senior-level contact with companies and investment institutions.
- Provide thought-provoking, consensus-breaking investment recommendations based upon state-of-the-art valuation and analysis techniques.
- Close working relationship with corporate finance to provide innovative M&A and other advice to companies in sector.

QUALIFICATIONS

- Genuine interest in corporate strategy and global investment markets. Understanding and enthusiasm to develop further tools to analyse shareholder value, EVA, etc.
- Ability to isolate, quantify and critique corporate strategies and sector value drivers.
- Strong financial and analysis background, probably gained within corporate planning (or similar) function, strategy consultancy or leading accountancy firm.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 971003, to SHP Associates, Stratton House, Stratton Street, London W1X 5FE. Tel: 0171 753 3000 Fax: 0171 753 3010.

Northern Trust

OPERATIONAL ANALYSTS/ PROJECT MANAGERS

£ Exceptional packages LONDON

Northern Trust is a leading provider of trust and investment services to both the personal and corporate and institutional sectors with 7,000 employees world-wide and a presence in North America, Europe and Asia/Pacific. They have assets under administration of approaching $1 trillion.

Due to a number of high profile industry issues, such as the planned introduction of the European Single Currency, they are currently looking to recruit a number of highly talented individuals to join an existing team of project managers. These key professionals have the opportunity to have a significant impact on the business and increase its profile and reputation.

The Position

- Co-ordinate multi-disciplined teams across various operational functions to exploit the inherent strengths within the business.
- Assist in the creation of a combination of strategies and approaches in order to maximise the potential market opportunities and to ensure the development of 'best practice'.
- Analyse, assess and project manage the organisation's response and reaction to a variety of issues.

The Requirements

- Intellectually robust individuals with strong interpersonal skills, the capability to work at all levels of an organisation, and high energy and drive to cope with these demanding roles.
- Broad experience covering a combination of finance, systems development, and internal or external consulting skills.
- Significant knowledge of securities processing.
- Highly developed project management skills with a proven ability to analyse, plan, co-ordinate and motivate.

Please send your CV with current salary details to: James Gray, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6280H/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http//www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

BANKWATCH®

RATING ANALYSTS

LONDON/MOSCOW/CYPRUS

Due to expansion into new markets, THOMSON BANKWATCH seeks experienced individuals for high profile positions rating financial institutions in European emerging markets. These positions carry considerable responsibility and are unlikely to be filled by individuals with less than three years' relevant experience. Suitable experience would include counterparty credit analysis at a leading international bank, banking regulation at an OECD central bank, financial institution audit at a Big Six accountancy firm or work with another rating agency. Whilst language skills would be beneficial, the quality of our work dictates that the most important factor in assessing the suitability of a candidate for this job is the relevance of their analytical experience.

Applicants should fax or post their curriculum vitae with application letter including details of qualifications, work history and expected salary to: Joanna Megson, Human Resources Advisor, by Friday 31st October 1997.

THOMSON BANKWATCH, Aldgate House,
33 Aldgate High Street, London EC3N 1DL, United Kingdom.
Tel: +44 171 369 7170 · Fax: +44 171 369 7174

SOVEREIGN RATINGS ANALYST

Standard & Poor's, the world's leading credit rating agency, has an opportunity in the Financial Institutions Ratings Group. You will assess the credit risk of sovereign governments and sovereign-supported financial institutions in Latin America. Responsibilities include meeting with senior officials in the public and private sectors, preparing analytical reports for internal committees/publications and inter-acting with institutional investors. Extensive travel will be required.

Candidate must possess a minimum of two years experience in sovereign risk analysis and graduate training in economics and/or public policy. Strong analytical and communication skills required. Near native fluency in Spanish is also required.

We offer a competitive compensation and comprehensive benefits package. For consideration, submit resume with salary requirements and a writing sample to: Human Resources, Dept EPLG, 25 Broadway, 15th Floor, New York, NY 10004. Fax 212-412-0200. An Equal Opportunity Employer, M/F/D/V. Committed to a Diverse Workforce.

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Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

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0171 873 402

Financial Times

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VIENNA

We are a rapidly expanding international investment banking firm with offices in the 5 major financial capitals in central/eastern Europe specialising primarily in retail and institutional brokerage, initial public offerings and portfolio management.

As part of our growth-oriented strategy, we are now looking to expand our Vienna-based operation and seek to recruit established Equity Brokers.

The ideal candidate must be a licensed, high calibre individual possessing an extensive network of contacts and an excellent performance track record.

This is a rare opportunity to join a dynamic pro-active institution offering an attractive salary and benefits package, including an outstanding performance related bonus scheme.

To apply, please send CV to:
Hofman Schneider,
Schwarzenbergplatz 6/2,
Palais Fanto, A-1030 Vienna Austria
Fax: (00431) 710-3828

Alternatively, call: Simon Goldman or Manal Ramadan
Tel: (00431) 71769

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Provide competent advice to international clients about investment in the Swiss market.

We are a renowned private bank in the center of Zurich with a focus on investment management and stock exchange transactions.

For our brokerage department, we are recruiting

an experienced sales representative to sell Swiss stocks to institutional clients

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New European Energy Markets

Exciting opportunities to participate in rapidly deregulating markets

London based

The global energy division of a major international commodities company is looking to expand its activities into electricity and natural gas trading throughout Europe. It will be seeking suitable individuals to support this expansion.

Candidates will typically be graduates with 3 - 5 years working experience in an analytical role and preferably used to working with computer modelling. Previous experience in either the electricity or natural gas sectors is not essential but would be helpful and applicants would be expected to know the basic tenets of recent European energy legislation. They should be used to an international perspective, ideally being fluent in a second European language. Key qualities include flexibility, intellectual dexterity, self motivation, and the ability to work in small teams or alone.

There are outstanding opportunities for the right individuals with this company and a package will be negotiated to attract candidates of the highest calibre.

Please send full personal and career details, including current remuneration levels and a contact telephone number to Box A5981, Financial Times, One Southwark Bridge, London SE1 9HL

The opportunity to train as an

Investment Analyst

Our client, IAI International, is part of a major US fund management group which manages international equity mandates for predominantly North American pension funds. The rapid growth of assets in its London office has created two exciting new opportunities in its Far East and European equity teams. The work will entail the detailed analysis of companies for stock selection purposes, some country research and the provision of a range of support services to fund managers.

Candidates will be numerate graduates with up to two years' experience in financial services who are keen to develop a career in investment management and willing to study for the appropriate professional qualifications (IIMR or CFA). Applicants must possess well developed analytical, computing and communication skills and a self-motivated, team-minded approach. Relevant linguistic ability would be an advantage.

These positions represent an outstanding opportunity to train for a career in equity research in some of the world's most interesting markets. The company offers a friendly, entrepreneurial working environment, a competitive salary and excellent future prospects. To apply, please write in confidence to:

I M R Recruitment Consultants, No.1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel. 0171 872 5447).

INVESTMENT MANAGEMENT RESOURCES

CHIEF FINANCIAL OFFICER

Budapest

for international manufacturing group with Central European operations and over $110 million in turnover.

As a key member of the management team, the CFO is responsible for the comprehensive financial functions of the group, including consolidation and reporting, planning and budgets, treasury and banking relationships. The applicant should be a chartered accountant, CPA, or have similar professional qualifications. Experience with a public company would be an asset. Excellent English language communication skills are required for this high-profile role.

The ideal candidate is 35-45 years old, dynamic, flexible, and results-oriented. Experience working in Central and Eastern Europe and/or knowledge of local languages is helpful but not essential. Competitive compensation package.

Interested candidates should apply to:

Box A5195, Financial Times,
One Southwark Bridge, London SE1 9HL

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ACCOUNTANCY APPOINTMENTS

INTERNATIONAL OPERATIONAL REVIEW

THAMES VALLEY

SALARY TO £38K + CAR

With annual sales of £900m this company is a market leader in its field and under new leadership is undergoing a period of rapid cultural change.

Innovative working practices and systems are being implemented to support developing strategies, and reporting procedures established to respond to imminent changes.

Following an international promotion, a position has become available within the compact but high profile team.

The principal objectives of the role will include the following:

- To develop an emphasis on operational review particularly in the manufacturing area.
- To understand the business environment, obtain the support of management and help improve the efficiency of systems.
- To participate in special investigations.

The role covers all of the company's worldwide entities and joint ventures and will involve approximately 50% travel to their primary support functions. The company has sales and manufacturing operations throughout the US, Europe, Asia and The Pacific.

The successful candidate will be a qualified accountant with at least 18 months PQE. Strong communication skills and the willingness to be part of a dedicated team are paramount.

The role is suitable for an individual making a first move from practice, particularly if they have had experience of the manufacturing sector. It is envisaged that the position will be a stepping stone to a senior managerial role within the group.

If you are interested in the role please write, detailing your current salary details to **Catherine Lucas or Alan Hine ACA at Robert Walters Associates, 42 Thames Street, Windsor, Berks, SL4 1PR. Tel: 01753 831515. Fax: 01753 678908.**

E-mail: catherine.lucas@robertwalters.com

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http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

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A career move at the leading edge of mobile communications

Contracts up to £60K pa

finance

Cellnet is one of the UK's leading mobile communications companies. The company has seen dynamic growth in its services, subscribers, products and turnover. This success is represented by over 2.7 million customers and an investment of over £1 Billion in building its user network handling over 10 million calls per day.

Within Cellnet, audit is seen as a key project based function of 25 individuals, that has the full support of the business identifying and delivering change in a complex and hi-tech environment.

The company is now building a flexible resource around their audit requirements, working in small teams on projects that are critical to the company's ongoing growth and success. As with its business, the company's approach is radical and at the cutting edge of resourcing.

In order to deliver the projects required by the business, the need has been identified to recruit a team of proven corporate and systems auditors on a one year contractual basis. The following key senior positions have been identified:

Audit Manager - Network Billing

Responsible for managing the audit programme assessing call scenarios and other quality issues. You will have the following attributes:

- 2 years' post qualification audit experience with significant systems content An understanding of network and billing systems would be an advantage
- Proven man management and project management skills
- Strong planning and general audit skills

Audit Manager - Billing Systems

Responsible for the audit of projects across network billing, analysing new and existing processes and systems. You will have the following attributes:

- A minimum of 2 years' systems audit experience
- Strong communication skills and the abilty to build relationships cross-functionally
- Tenacious project driven approach, able to put issues on colleagues agendas

Audit Manager - Computer Security

A newly created role responsible for the development and implementation of the security evaluation processes around Cellular systems. You will have the following attributes:

- Experience of technical audit
- Proven consultancy skills in influencing in a business environment
- The ability to analyse, understand and enhance systems

Billing Systems Project Auditor

This is an important stand alone role auditing the network and billing systems of Cellnet. Reporting to the manager of the team, you will have the following attributes:

- Qualified Auditor
- A wide variety of systems and IT audit skills
- Well motivated self-starter

Cellnet is a proactive employer with a track record of developing people from its audit function into the business where there are many new opportunities to develop. Contracts will offer a high degree of flexibility and autonomy in one of the most exciting environments in the Industry.

If you would like to find out more, then be proactive about you career and call Chris Cole or Michael Benad on 0171 808 7070 (weekdays) 0181 943 1600 (evenings and weekends), or send your CV and salary details in confidence to them at:

FINANCE PROFESSIONALS,
Vigilant House, 120 Wilton Road,
London SW1V 1JZ.
Fax: 0171 828 2381.
Email: chris@finprof.co.uk or michael@finprof.co.uk

cellnet

FINANCE MANAGER

EXCELLENT PACKAGE — BASED IN RUSSIA

The Company: Our client is a young privately owned organisation committed to develop rapidly and expand into a competitive, global integrated energy group. The company has interests in South America, Europe, North Africa and the CIS and employs around 750 people. Within the oil production operations an opportunity now exists for an experienced senior finance manager.

The Role: Reporting to the locally based President of the operations and functionally to the Chief Financial Officer in London, your key responsibilities will be:

- Heading up the Russian Finance team to ensure adequate control is exercised over the assets of the company.
- Preparation, production and review of all company's reporting requirements covering all activities in the area.
- Production of annual budget and 5 year plan.
- Ensuring compliance with regulatory and statutory requirements.
- Co-ordinating with the London office on corporate reporting requirements.

The Person: It is an international opportunity for a responsible, flexible individual looking to progress a career with excellent prospects. You will have:

- International professional qualification (ACA, ACCA, CIMA or CPA).
- 10 years' plus financial/commercial management experience.
- Commercial thinking with attention to details.
- Emerging markets exposure, preferably CIS.
- Fluent English and Russian.
- Oil industry or similar experience.
- Working knowledge of the Sun Accounting system.

Candidates who are interested in this position should forward their resumé to our London office quoting clearly reference number FT3159 on ALL correspondence. All applications will be treated in the strictest confidence.

Antal International: Shropshire House, 1 Capper Street, London WC1E 6JA.
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GENERAL MANAGER

ING INVESTMENT MANAGEMENT

COMPETITIVE REMUNERATION PACKAGE — MOSCOW BASED

The Company: ING Group is a prominent player in the world's banking and investment market offering its clients a full range of financial products and services and considering asset management as one of its core activities, for which ING Investment Management is responsible. Being seriously committed to the emerging markets in Central and Eastern Europe (a.o. presence in Hungary, Poland, Czech Republic) the company has made a strategic decision to expand its Russian base and introduce asset management for corporate clients and institutional investors, and fund management.

The Role: It is anticipated that the successful candidate will have responsibility for initiating, further developing and leading the asset management company's operations in Russia including acquisition of institutional and corporate clients. The already existing client base will serve as a starting point for establishing business in Russia and achieving rapid and sustainable growth in all areas including market share, profitability and volume of business.

The Person: This new and challenging senior level role demands a very experienced person with fluent English, a thorough knowledge of (preferably emerging) money and capital markets and strong general management skills. Ideally, he/she would have an asset management or a brokerage background - preferably related to emerging markets - and a proven track record of business development and sales to both institutional clients and mutual funds. Good Russian language skills, direct experience of operating in Eastern Europe and preferably Russia, as well as a comprehensive network of contacts in the Russian financial world, would be a major benefit. There is a strong preference for candidates who can display commercial acumen and a mature proactive approach.

This is an ideal opportunity to develop and manage an exciting business reporting to the Corporate Head Office in the Netherlands.

A very generous remuneration package is offered which reflects the status of the position.

Candidates who are interested in this position should forward their resumé to our London or Moscow office quoting clearly reference number FT3160 on ALL correspondence. All applications will be treated in the strictest confidence.

Antal International: Parus Business Centre, 23 1st Tverskaya-Yamskaya Ul., Moscow 125047, Russian Federation. Tel: +7 095 258 0465 Fax: +7 095 258 0470. E-mail: antalrus@online.ru

Antal International: Shropshire House, 1 Capper Street, London WC1E 6JA.
Tel: +44 (0) 171 637 2001. Fax: +44 (0) 171 637 0949
or visit our web site on www.antal-int.com

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Excellent remuneration package — *The Netherlands*

Business Group Controller

Leading multinational with Dfl 4.5 billion turnover and headquarters in The Netherlands has a dominant market position in Europe and the Americas and a growing position in Asia. One of its two business groups has turnover in excess of Dfl 1 billion and operates in a truly international and dynamic market-place with high growth rates. It has business units and operating companies throughout Europe, the Americas and Asia and now seeks to recruit an outstanding Controller.

THE ROLE

- Reporting to the Chief Operating Officer and functionally to the CFO, fully responsible for the financial management of the business group and supporting the COO in the most important strategic decisions. Member of the management team of the business group.
- Improving performance through enhanced business planning, monitoring and analysis. Reviewing performance with Business Unit Management.
- Directly involved in acquisitions and investment projects. Optimising information flow to improve decision making.

THE QUALIFICATIONS

- Late 30s/early 40s graduate CA or MBA with track record in international organisations to a similar level or to financial director level in a smaller business operating internationally.
- Broad commercial and international orientation with excellent intellect and analytical skills and ability to contribute at the strategic level.
- Independent judgement and a persuasive communicator and true team player. Proactive and intuitive. Fluent in English.

Selector Europe specialises in the recruitment and selection of managers at executive level and is part of Spencer Stuart with 40 offices worldwide.

Selector Europe
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Please reply with full details (including salary level and photo) to: Selector Europe, ref. 499-26, Gabriël Metsustraat 9, 1071 DZ Amsterdam, The Netherlands

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Group Finance Manager

Rare opportunity for high achiever

East Anglia — **to £60,000 + excellent benefits + full relocation**

- Industry leader in the provision of specialist services to both the public and private sectors. This ambitious Group has restructured and is poised for substantial expansion.
- Organised into four key product areas, the business operates from offices, manufacturing sites and distribution units throughout the UK.
- Reporting to the Group Financial Controller, responsibilities will include enhancing the quality of management information across the divisions; liaison with senior divisional management to maximise profitability; ad-hoc projects for the Group Finance Director; and participation in major systems developments.
- Candidates will be graduate calibre, qualified accountants with five to ten years PQE, gained within the group function of a large organisation. Additional experience as a Finance Manager in an operating environment would be desirable.
- A well focused, sharp mind combining technical expertise with a commercial perspective is important, as is the ability to advise on key issues. In addition, a proactive, flexible "hands on" approach will be necessary.
- Motivated by challenge and opportunity, candidates will have the ability to influence and manage change as well as possessing first class interpersonal skills. Excellent career opportunities exist.

Please write in confidence to Suzzane Wood, giving details of your career and current earnings, quoting reference 2630.

O & CO SELECTION LTD, 7 CURZON STREET, LONDON W1Y 7FL. Fax: 0171 499 6725. E-mail: o&co@odgers.com

O&CO SELECTION

AN ODGERS GROUP COMPANY

PEPSICO INC.

International Finance & IT Opportunities

With sales in excess of $30 billion, PepsiCo is one of the most successful companies in the world. For more than 30 years our sales, ongoing earnings and shareholder returns have grown on average 14% a year.

This continued success, and our international expansion, have created several opportunities for ambitious candidates with a finance or IT background to join our international corporate audit team. PepsiCo Audit is a team environment that is best suited to highly adaptable individuals who can operate successfully in a fast-paced, results orientated environment. You will perform operational/IT reviews, examine the quality of management/IT systems, controls, and financial reporting, plus be involved in special projects related to our business initiatives. These are varied roles which require extensive travel, usually in teams of 3 or 4 to PepsiCo's international locations in Eastern and Western Europe, the Middle East, Africa, the United States, the Far East and Latin America.

New York
Dallas
London
Hong Kong

This is an invaluable opportunity to gain international experience in both our beverage and snack food businesses. Attractive salary starting at GB£30K + attractive benefits package. These positions lead to PepsiCo careers in either operations or our corporate centres.

You will need:

- 2-6 years of experience in either finance or IT, trained in a "Top 6" firm of Chartered Accountants.
- Must be a graduate with continuing education in professional accounting
- Fluency in Spanish or Eastern European languages
- Strong analytical and intellectual skills
- Demonstrated ability to work as a team player
- Well developed communication skills
- Ability to work in a multi-cultural and rapidly changing environment

If you can meet this challenge, please write or fax to our advising consultant Jim Campbell quoting ref: JC/PC at Box No A5243, The Financial Times, 1 Southwark Bridge, London, SE1 9HL. Fax: 44 171 242 5688

PepsiCo is an equal opportunity employer

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Financial Times

FINANCIAL CONTROLLER

Surrey c.£50,000 + Car + Benefits

North Surrey Water is part of the Générale des Eaux Group, a world leading utility company with a turnover of c.£16.6 bn and 220,000 employees worldwide. Supplying drinking water to a diverse customer base, the company has a reputation for operational excellence and customer service. As a result of an internal promotion, an outstanding opportunity has arisen for a commercial Financial Controller to work directly for the Managing Director.

THE COMPANY
- Major division of multinational market leader
- Provider of drinking water to over 400,000 people
- Turnover £30 million; c. 200 employees
- Innovative and progressive; at the forefront of technological design

THE PERSON
- Aged 30-40; graduate ACA, ACCA or ACMA
- Proven track record of success to date
- Technically excellent; strong financial control skills
- Commercially aware with management presence
- Experienced in managing and motivating a team

THE ROLE
- Key position with overall responsibility for finance, customer service and treasury functions
- Strategic and business planning
- Financial control and supervision of a team of 50
- General management and company secretarial responsibilities
- Superb career prospects within the group

Please contact our advising consultants James Heath or Sharmila Sharon Parekh at Executive Match on 0171 872 5544 or write enclosing your CV quoting ref. F2008 to them at:

EXECUTIVE MATCH
1 Northumberland Avenue,
Trafalgar Square,
London WC2N 5BW
(Fax: 0171 753 2745)
All direct applications will be forwarded to Executive Match

GENERALE DES EAUX GROUP

NORTH SURREY WATER LTD

FINANCE TRANSITION MANAGER

India **c£45,000 Tax Free + Competitive Expat Package**

The Company
Our client is a UK market leader, supplying enterprise-wide IT solutions to a diverse blue chip client base. They focus on applications management, which is the fastest growing area in the IT service sector. The company has exhibited significant growth in the past four years, this success being attributed to their ability to develop innovative and long term partnerships with customers. The organisation is now focusing on the substantial growth opportunities and challenges ahead by developing future international projects and exploring new markets.

The Role
As part of this international expansion, a highly capable and resourceful individual is now sought for an exciting operational finance role. Based in India and with overall responsibility for reporting relevant financial and business-critical issues to the Group, the role will encompass:

- Implementing processes and systems to ensure rapid, accurate reporting of KPI's locally and to the Group
- Establishing financial accounting controls, providing reporting to Group deadlines
- Providing decision-making input to ensure correct intercompany accounting treatment and transfer pricing policies
- Working with the local management teams to implement project accounting and management reporting systems and to develop forecasts, budgets and strategic plans
- In conjunction with other expatriate management, ensuring adequate control and reporting of resource utilisation
- Working with Group integration consultants on all appropriate integration activities.

The Individual
The nature of this role demands a flexible individual who is experienced in working overseas, preferably within a large international organisation. You will be a logical problem solver and your maturity, objective approach and strong personal presence will provide you with the skills required to liaise with senior management, and negotiate up to Board level. This highly commercial and influential role will enable you to make a significant impact on this international business.

For further information please contact Andy Naylor on 01908 550090 (evenings 01604 22422). Alternatively, send/fax your CV to him at FSS Financial, Midsummer House, Midsummer Boulevard, Milton Keynes MK9 3BN. Fax: 01908 550093, e-mail: agn@fss.co.uk

Please quote reference FT0136. All calls will be treated in the strictest of confidence.

FSS FINANCIAL
AN FSS GROUP COMPANY
Consultants in Financial Recruitment, Search & Selection

CHIEF FINANCIAL OFFICER

Budapest

for international manufacturing group with Central European operations and over $110 million in turnover.

As a key member of the management team, the CFO is responsible for the comprehensive financial functions of the group, including consolidation and reporting, planning and budgets, treasury and banking relationships. The applicant should be a chartered accountant, CPA, or have similar professional qualifications. Experience with a public company would be an asset. Excellent English language communication skills are required for this high-profile role.

The ideal candidate is 35-45 years old, dynamic, flexible, and results-oriented. Experience working in Central and Eastern Europe and/or knowledge of local languages is helpful but not essential. Competitive compensation package.

Interested candidates should apply to:

Box A5195, Financial Times, One Southwark Bridge, London SE1 9HL.

IT Appointments

FIXED INCOME
Quants Analyst / Developer

EXCELLENT PACKAGE

In order to sustain their dynamic growth, our client, a leading global investment bank, requires business orientated, mathematical technologists. The successful candidates must be able to demonstrate the talent, motivation and maturity to succeed in an environment where over achievement is the norm. and an international perspective is essential.

Opportunities have been created within the Fixed Income Division, these will involve developing new systems for global pricing models and liaising extensively with the trading floor. A significant expansion plan and strong commitment has been applied to the development of state-of-the-art quantitative models for pricing, hedging and valuing securities and derivative instruments.

Ideally you should possess the following:

- 1 years commercial experience
- A good degree (1st or 2:1) in a mathematical, statistical or engineering discipline is required (PhD would be highly advantageous)
- Strong C / C++ programming skills

A strong training structure is in place to provide personal development, IT and financial market courses, for those who have a proactive approach and the need to succeed.

If you are interested in the above positions, please contact Danielle Lorenz or Jonathan Leigh

H[illegible]y
INVESTMENT BANKING
17 St Helens Place, London EC3A 6DE

Tel: 0171 335 0005
Mobile: 0976 721 437
Fax: 0171 335 0008
Email: job@huxley.co.uk

INVESTMENT BANKING

C++/UNIX
£30K - £45K + BONUS
International banking group seeks developers with a minimum of one year's C++/Unix expertise. You will join a young and dynamic team, developing an exotic derivatives system for FX, Fixed Income and Equities. Candidates with relational database skills and strong mathematical capabilities will have preference.

C++/NT/VB/DERIVATIVES
£35K - £50K + BONUS
Growing front office group are currently expanding their equities business and require multi-skilled developers. These are 'hybrid' roles which require strong client server development skills coupled with a good understanding of the investment banking sector. A combination of C++, Sybase, Visual Basic and Derivatives experience is absolutely essential. These are business focused roles with appropriate financial rewards.

C++/EXCEL/FIXED INCOME
£35K - £45K + BONUS
Financial engineers required for the fixed income analytics group of this premier investment bank. Situated on the desk you will develop a toolkit for analytics, strategists and modellers utilising C++, Excel and your fixed income business knowledge. Rapid career development guaranteed for high flyers.

QUANTITATIVE ANALYSTS
£30K - £60K + BONUS
Firmwide risk group of this leading US investment bank seek quantitative analysts to work with traders and strategists. You must have strong knowledge of pricing derivatives coupled with solid programming skills. Duties will include price verification, the review of mathematical formulas and the development of alternative methods.

C++/ORACLE
£35K - £55K + BONUS
Pre-eminent global investment bank seeks financial engineers to join a team charged with the build of a risk management system. Utilizing your extensive C++/Object skills you will contribute to the whole life cycle development of the system. Preference will be given to candidates with distributed systems and business expertise. Fast-track career development with superb financial rewards.

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